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U.S. DEPARTMENT OF AGRICULTURE

# 1990 BUDGET SUMMARY





# UNITED STATES DEPARTMENT OF AGRICULTURE

## TABLE OF CONTENTS

<i>Item</i>	<i>Page</i>
<i>Introduction .....</i>	<i>1</i>
<i>Summary of 1990 Budget .....</i>	<i>4</i>
<i>Explanation of Major Changes by Agency:</i>	
<i>Agricultural Research Service .....</i>	<i>12</i>
<i>Cooperative State Research Service .....</i>	<i>16</i>
<i>Extension Service .....</i>	<i>19</i>
<i>National Agricultural Library .....</i>	<i>21</i>
<i>Agricultural Stabilization and Conservation Service .....</i>	<i>22</i>
<i>Commodity Credit Corporation .....</i>	<i>22</i>
<i>Export Credit .....</i>	<i>28</i>
<i>Public Law 480 .....</i>	<i>29</i>
<i>Foreign Agricultural Service .....</i>	<i>30</i>
<i>Office of International Cooperation and Development .....</i>	<i>31</i>
<i>Soil Conservation Service .....</i>	<i>32</i>
<i>Forest Service .....</i>	<i>36</i>
<i>Farmers Home Administration .....</i>	<i>40</i>
<i>Rural Electrification Administration .....</i>	<i>43</i>
<i>Federal Crop Insurance Corporation .....</i>	<i>44</i>
<i>Food and Nutrition Service .....</i>	<i>46</i>
<i>Human Nutrition Information Service .....</i>	<i>56</i>
<i>Animal and Plant Health Inspection Service .....</i>	<i>58</i>
<i>Food Safety and Inspection Service .....</i>	<i>61</i>
<i>Agricultural Marketing Service .....</i>	<i>62</i>
<i>Federal Grain Inspection Service .....</i>	<i>63</i>
<i>Office of Transportation .....</i>	<i>64</i>
<i>Packers and Stockyards Administration .....</i>	<i>64</i>
<i>Agricultural Cooperative Service .....</i>	<i>64</i>
<i>Economic Research Service .....</i>	<i>65</i>
<i>National Agricultural Statistics Service .....</i>	<i>65</i>
<i>World Agricultural Outlook Board .....</i>	<i>66</i>
<i>Departmental Activities .....</i>	<i>67</i>
<i>Major Initiatives:</i>	
<i>Water Quality .....</i>	<i>69</i>
<i>1890 Institutions .....</i>	<i>73</i>
<i>Global Climate Change .....</i>	<i>76</i>
<i>Tables:</i>	
<i>Budget Authority by Agency .....</i>	<i>77</i>
<i>Outlays by Agency .....</i>	<i>78</i>
<i>Staff-Years by Agency .....</i>	<i>79</i>
<i>Loan Asset Sales and Prepayments .....</i>	<i>80</i>





## INTRODUCTION

*This booklet describes the fiscal year 1990 budget for the Department of Agriculture. All references to years refer to fiscal year, except where specifically noted. Knowledge of the following basic budget terminology will assist the reader in understanding the budget proposals.*

"Program Level" represents the total financial value of benefits provided to the public by USDA. These benefits may be in the form of financial assistance through grants, guaranteed or direct loans, cost sharing, professional services such as research or technical assistance activities, or in-kind benefits such as commodities.

"Budget Authority" is the authority to commit funds of the Treasury. This authority is normally provided by the Congress through appropriations acts. The President's budget requests the Congress to appropriate or otherwise provide an amount of budget authority sufficient to carry out recommended Government programs.

"Obligations" are specific commitments of Government funds. In order to make a valid obligation, a Government official needs a sufficient amount of unused budget authority to cover the obligation or approved loans.

"Outlays" are cash disbursements from the Treasury. The Treasury issues checks in payment of valid obligations.

Since the primary purpose of this booklet is to describe the programmatic impact of the 1990 budget, the program level concept has been used in most instances. However, there are some cases where other measures are used and the reader should take care to note which measure is being used in any particular subject area. The reader should also understand that:

- 1) Many 1990 estimates are very tentative especially where programs are sensitive to weather or economic conditions.
- 2) Credit programs may not necessarily represent a net loss to the Government because of the borrower's commitment to repay.

Any questions may be referred to the Office of Budget and Program Analysis at (202) 447-6176.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Program Levels and Outlays  
(Dollars in Millions)

Agency/Program	Program Levels				Outlays		
	1988 Actual	1989 Current Estimate	1990 Budget	Change 1989 to 1990	1988 Actual	1989 Current Estimate	1990 Budget
<b>RESEARCH AND EDUCATION</b>							
Agricultural Research Service .....	\$544	\$568	\$586	\$18	\$517	\$555	\$588
Cooperative State Research Service .....	310	318	295	-23	284	312	307
Extension Service .....	358	361	325	-36	318	353	327
National Agricultural Library .....	12	13	15	2	12	14	15
Research Construction .....	50	46	18	-28	41	60	86
Total, Research and Education .....	1,274	1,306	1,239	-67	1,172	1,294	1,323
<b>COMMODITY PROGRAMS</b>							
Commodity Credit Corporation .....	23,275	20,431	18,427	-2,004	12,175	13,895	11,518
ASCS, Salaries and Expenses .....	610	580	633	53	-13	4	0
Total, Commodity Programs .....	23,885	21,011	19,060	-1,951	12,162	13,899	11,518
<b>INTERNATIONAL PROGRAMS</b>							
Export Credit Guarantees .....	4,504	5,500	5,500	0	0	0	0
Export Enhancement Program .....	995	770	1,000	230	0	0	0
P.L. 480 .....	1,479	1,482	1,482	0	1,060	1,098	723
Foreign Agricultural Service .....	91	95	99	4	84	93	99
Targeted Export Assistance .....	110	200	200	0	0	0	0
General Sales Manager .....	7	7	8	1	0	0	0
Office of Intern'l Cooperation & Development ...	50	49	51	2	23	10	9
Total, International Programs .....	7,236	8,103	8,340	237	1,167	1,201	831
<b>SOIL AND WATER CONSERVATION PROGRAMS</b>							
Soil Conservation Service .....	687	705	632	-73	701	729	699
Conservation Reserve Program .....	1,051	1,760	2,039	279	291	1,652	1,771
Agricultural Stabilization and Conservation Service, Financial Assistance .....	203	209	27	-182	238	206	145
Total, Soil and Water Conservation .....	1,941	2,674	2,698	24	1,230	2,587	2,615
FOREST SERVICE .....	2,863	2,745	2,514	-231	2,688	2,920	2,545
<b>SMALL COMMUNITY AND RURAL DEVELOPMENT</b>							
Farmers Home Administration:							
Farm Programs:							
Farm Operating Loans .....	1,792	3,498	3,400	-98)			
Farm Ownership and Other Loans .....	487	835	250	-585)			
Emergency Disaster Loans .....	30	600	50	-550)	2,618	3,435	1,512
Interest Buy-Down Program .....	40	100	100	0)			
Community Development Programs .....	664	858	485	-373	589	770	969



Agency/Program	Program Levels				Outlays		
	1988 Actual	1989 Current Estimate	1990 Budget	Change 1989 to 1990	1988 Actual	1989 Current Estimate	1990 Budget
SMALL COMMUNITY AND RURAL DEVELOPMENT (Cont'd)							
Housing Programs .....	2,169	2,179	490	-1,689	3,673	3,362	24
Salaries and Expenses .....	477	527	531	4	397	412	415
Subtotal, Farmers Home Administration .....	5,659	8,597	5,306	-3,291	7,277	7,979	2,920
Rural Electrification Administration:							
Direct Loans .....	896	1,038	125	-913)			
FFB Guarantees .....	775	933	0	-933)	-1,853	161	-130
Private Sector Guarantees .....	0	0	1,365	1,365)			
Salaries and Expenses .....	29	31	31	0	28	33	32
Subtotal, Rural Electrification Admin. ....	1,700	2,002	1,521	-481	-1,825	194	-98
Federal Crop Insurance Corporation .....	1,662	1,000	949	-51	411	1,245	586
Total, Small Community and Rural Development ..	9,021	11,599	7,776	-3,823	5,863	9,418	3,408
FOOD AND CONSUMER SERVICES							
Food and Nutrition Service:							
Food Stamp Program .....	12,338	12,691	13,285	594	12,265	12,868	12,711
Nutrition Assistance for Puerto Rico .....	879	908	825	-83	880	908	825
Child Nutrition Programs .....	4,727	4,945	4,448	-497	4,636	4,980	4,529
Supplemental Feeding Programs .....	1,851	1,997	2,031	34	1,852	2,001	2,021
Cash and Commodities for Selected Groups .....	203	249	257	8	194	243	245
Temporary Emergency Food Assistance .....	50	170	120	-50	49	178	132
All Other .....	108	105	99	-6	103	109	103
Total, Food and Nutrition Service .....	20,156	21,065	21,065	0	19,979	21,287	20,566
Human Nutrition Information Service .....	9	9	9	0	11	9	9
Section 32 Funds .....	122	172	304	132	33	31	6
Total, Food and Consumer Services .....	20,287	21,246	21,378	132	20,023	21,327	20,581
MARKETING AND INSPECTION SERVICE							
Animal and Plant Health Inspection Service .....	337	339	353	14	340	341	296
Food Safety and Inspection Service .....	393	406	424	18	391	406	424
Agricultural Marketing Service .....	166	171	171	0	131	113	127
All Other .....	55	61	58	-3	19	25	22
Total, Marketing and Inspection Programs ....	951	977	1,006	29	881	885	869
ECONOMICS AND STATISTICS .....	111	115	125	10	107	114	123
DEPARTMENTAL ACTIVITIES							
Departmental Offices .....	107	112	117	5	103	120	117
Centralized Activities .....	78	82	105	23	70	89	105
Receipts .....					-1,462	-1,799	-1,607
USDA, TOTAL .....	\$67,754	\$69,970	\$64,358	-\$5,612	\$44,003	\$52,055	\$42,428



## SUMMARY OF MAJOR PROPOSALS

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The overall USDA budget for 1990 calls for a program level of \$64.4 billion, a reduction of \$5.6 billion from the 1989 current estimate of \$70.0 billion. Cash outlays for 1990 are estimated at \$42.4 billion, which would be a reduction of almost \$10 billion from the 1989 level of \$52.1 billion.

The 1990 budget represents a continuation of many of the Administration policies for the Department's programs. As part of a governmentwide effort to reduce the deficit, outlays for the farm price and income support programs are proposed for further reduction starting with the 1990 crops. The budget continues to propose a shift from direct loans and grants to vouchers for rural housing and to guarantees of private sector loans for farm, rural community, and rural utility loan programs of the Farmers Home Administration (FmHA) and the Rural Electrification Administration (REA). Additional loan sales and loan prepayments during 1990 are proposed for FmHA and REA with FmHA selling \$4.6 billion in rural housing and community loans and REA permitting the prepayment of \$575 million in electric loans and Rural Telephone Bank loans. The \$0.26 per meal subsidy for non-needy children in the Child Nutrition programs is proposed for elimination. The budget proposes to fully fund anticipated forest, wildland, and other firefighting costs up front with new permanent appropriations, and to offset the deficit impact by deducting these costs from federal mineral and timber receipts now shared with States and counties.

The 1990 budget also includes USDA's portion of several broad Federal Government initiatives to meet national priorities:

- o Water Quality. Additional funding is provided to address questions and concerns about the relationships of agricultural practices and water quality. This is part of a governmentwide effort and involves nine USDA agencies for data collection and analysis, research, education and technical assistance (page 69).
- o Strengthening 1890 Land-Grant Institutions. New and expanded programs are proposed: (1) to strengthen the capacity of the historically black 1890 Land-Grant institutions and Tuskegee University to recruit and graduate high quality students in the agricultural and natural resource sciences and, (2) to perform research and extension on national priority issues (page 73).
- o Global Climate. Funding is provided for research to address the potential impacts of global climate change on U.S. agriculture and forestry (page 76).

Proposed funding for Research and Education programs totals \$1.2 billion.

- o Agricultural Research Service program funding for 1990 totals \$586 million. Increases are proposed in Soil and Water Conservation (+\$10.0 million) to participate in a governmentwide water quality research program and in Animal Science research (+\$6.2 million)



## SUMMARY OF MAJOR PROPOSALS

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for expansion of programs to develop new rapid test methods to detect pesticide and bacterial residues in meat and dairy products and for animal disease diagnosis. Construction funds (\$18.5 million) are proposed to address priority facility needs in conjunction with plant germplasm and poultry disease programs and to continue the modernization of the Beltsville Research Center (page 12).

- o Cooperative State Research Service programs are proposed at a total level of \$295 million. This includes increases of \$28.8 million for an expanded competitive grants program primarily to enhance ongoing basic research programs for animal health and disease research and plant science centers, and to support the governmentwide initiative to study the effects of global climate change on agriculture and forestry. Additional funding is also proposed to expand university based research in water quality (+\$3.9 million) and to support a new program to strengthen the research and teaching capacity at the historically black 1890 Land-grant institutions (+\$11.0 million). Special research grants would be reduced from \$45.3 million in 1989 to \$15.1 million for 1990. Specifically targeted grants for Water Quality, Pest Management and Control, and Pesticide Impact Assessment Research would be continued (page 16).
- o Extension Service programs are proposed at a total funding level of \$325 million. Proposed increases include funding for the education component of the coordinated water quality initiative (+\$5.0 million) and funding to support development of new programs to address national priorities (+\$5.0 million). Funds are provided to continue the 1890 facility improvement program (\$9.5 million) and to increase Extension efforts at 1890 institutions as part of the Department's commitment to strengthen those schools (+\$5.7 million in general formula funds). As in past budget proposals, funding for certain earmarked programs is proposed for reductions (-\$31.9 million). However, Federal funding would be supplemented by a new requirement for State cost-sharing for several of these programs (page 19).
- o Programs at the National Agricultural Library would be enhanced through funding for an information center to address water quality and quantity issues and for basic library improvements (+\$1.6 million) (page 21).

Spending (net outlays) for Commodity Credit Corporation (CCC) programs was \$12.5 billion for 1988, down nearly \$10 billion from the 1987 level. The dramatic drop in program costs is due to exceptionally strong grain exports, stronger market prices, lower support rates, and the decline in stocks of most basic commodities.

## SUMMARY OF MAJOR PROPOSALS

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CCC outlays for 1989 are projected at \$13.8 billion, up \$1.3 billion from the 1988 level. This total includes \$9.3 billion for ongoing CCC programs, \$3.6 billion for crop disaster payments under the 1988 Disaster Assistance Act, and \$800 million for livestock feed assistance related to the drought. For 1990, CCC outlays are projected to decline to \$11.6 billion primarily due to expected improvements in the cotton market situation and to the completion of the 1988 disaster payment program. It should be noted that CCC budget projections are very tentative and are subject to wide variations due to changing economic and weather conditions (page 22).

To help reduce the Federal deficit, the budget proposes further CCC outlay reductions of about \$1 billion in 1990 and \$2 billion to \$2.5 billion annually for 1991 through 1994. There are only a limited number of actions which could achieve such reductions, and the most direct one would be to further reduce target prices from already declining levels assumed under current law. It is also possible to lower the share of production eligible for deficiency payments.

Program levels for the International Programs are proposed at \$8.3 billion for 1990. This includes short-term export credit guarantees at the 1989 level of \$5.0 billion. Intermediate-term credit guarantees of up to \$0.5 billion will be made available in 1990, as they were in 1989. The export enhancement program is estimated at \$1 billion for 1990. A proposed 1990 program level of \$1.482 billion for P.L. 480 will provide for total shipments of 5.8 million metric tons, based on current price projections (page 28).

The 1990 budget proposals for the Soil and Water Conservation Programs exceed \$2.6 billion and reflect the continued high priority given to the conservation provisions of the Food Security Act of 1985. In addition to providing resources to meet the goals and deadlines mandated in the Act, there is a proposal to double SCS technical assistance for improving water quality (+\$13 million) as part of the governmentwide water quality initiative. The 1990 budget includes proposals for administering watershed and conservation cost-share programs consistent with the Water Resource Development Act of 1986. Funding for the Conservation Reserve Program will exceed \$2 billion in 1990, an increase of \$279 million. The program level estimate for the CRP is based on plans to reach a 40 million acre enrollment of highly erodible or environmentally sensitive crop land (page 32).

The Forest Service budget proposes a timber sales level of 11.351 Billion Board Feet for 1990. The funding level for timber related activities is proposed at \$966 million, an increase of \$37 million from the current estimate for 1989. The Forest Service provides a very large share (41 percent) of the nation's recreation facilities on Federal lands. A total of \$174 million is proposed in 1990 for the development and maintenance of



## SUMMARY OF MAJOR PROPOSALS

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recreation facilities in National Forests. Within this total, as part of a recreation initiative begun in 1988, the challenge cost-share program which encourages the public to participate in the development and maintenance of recreation facilities is continued at a \$7 million level. In addition, new legislation will be proposed to expand the range of sites where recreation user fees are charged, with the increased receipts to be split between the States and the recreation program (page 36).

In both 1987 and 1988 the nation experienced unusually severe wildfire seasons. As currently provided by law, funds to finance the Forest Services' fire suppression costs were transferred from other Forest Service accounts. Recognizing that firefighting costs are both unavoidable and unpredictable, and to avoid the complicated transfers among accounts required by the present system, the Administration's request proposes to fully fund anticipated forest, wildland, and other firefighting costs upfront with new permanent appropriations, and to offset the deficit impact by deducting these costs from Federal mineral and timber receipts now shared with States and counties.

Program levels for Small Community and Rural Development would total \$7.8 billion for 1990, a reduction of \$3.8 billion from the 1989 level.

- o Farm loans of the Farmers Home Administration (FmHA) would be decreased from \$4.9 billion in 1989 to \$3.7 billion in 1990 primarily in emergency and farm ownership loans. Farm operating loans would decrease slightly from an estimated \$3.5 billion in 1989 to \$3.4 billion in 1990. Guaranteed operating loans would provide a larger share of operating credit, increasing from \$2.6 billion to \$2.8 billion. In addition, \$50 million would be available for emergency loans together with \$50 million for direct ownership loans, and \$200 million in guaranteed ownership loans to be used to assist family-sized farmers. About \$100 million would be used for the interest buy-down program which was extended for five years by the Agricultural Credit Act of 1987 (page 41).
- o Funding for the Water and Waste Disposal loan and grant programs, the Community Facilities loan programs, the Business and Industrial loan guarantee program, and the Rural Development loan program would total \$485 million as part of the Department's overall rural development effort. The Water and Waste Disposal program has been further focused to assist very low income communities in areas with significant safety and health hazard

## SUMMARY OF MAJOR PROPOSALS

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problems. In 1990 direct loan programs would begin to shift to guaranteed private sector loans. The Business and Industrial loan program, which is already providing assistance on a guaranteed loan basis, has been limited to small scale, family-sized enterprises in areas in which farmers are attempting to make the transition to non-farm employment (page 42).

- o As in prior year budget proposals, existing housing loan and grant programs would be replaced with a housing voucher program in 1990. The budget includes funding for 25,000 units. The number of units assisted by vouchers would increase to 30,000 by 1994. The voucher program would not replace the existing programs on a unit for unit basis, but it would give the recipient the opportunity to select from available housing stock, rather than being required to live in FmHA financed housing. In addition, the housing voucher program would replace a very costly, deeply subsidized home-ownership program that is not available to urban residents. In addition, \$100 million in Section 515 Rental Housing Assistance loans would be available in 1990 to permit limited continuation of the construction of FmHA-financed rental housing (page 42).
- o The proposals for the Rural Electrification Administration (REA) in the 1990 budget are a continuation of Administration policy to shift the financing of these programs to the private sector. Direct rural electric loans will be replaced with variable rate guarantees of private sector loans. Direct telephone loans will be replaced with 70 percent guarantees of private sector loans. The fully guaranteed Federal Financing Bank loans for generation and transmission loans would be replaced with 90 percent guarantees of private sector loans (page 43).
- o Indemnities paid by the Federal Crop Insurance Corporation for 1988 crop losses due to the drought are currently estimated to total almost \$1.5 billion. Most indemnities for the 1988 crop will be paid in fiscal year 1989. The 1990 budget projections assume more normal weather conditions than were experienced in 1988. Participation and costs of crop insurance will be the focus of analysis by the Commission established by legislation last year to review and make recommendations for improving the crop insurance program. An interim report of the Commission is due April 1, 1989, and the final report is due July 1, 1989. This, along with actions to revise insurance premium rates and improve operating procedures, are expected to reduce FCIC outlays from \$1.2 billion in 1989 to \$0.6 billion in 1990 (page 44).



## SUMMARY OF MAJOR PROPOSALS

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The 1990 budget for Food and Consumer Programs is proposed at \$21.4 billion, about the same as the current estimate for 1989.

- o A program level of \$13.3 billion is requested for the Food Stamp Program, about a 5 percent increase from the current estimate for 1989. Increases in the maximum benefit driven by food cost increases and the Hunger Prevention Act of 1988 adjustments are offset somewhat by a decrease in participation expected to occur as a result of the projected decline in unemployment. Legislative changes will be proposed to limit the Federal portion of State expenses for administration. State overpayments to recipients continue to run over \$800 million per year. Therefore, anticipated receipts from States of \$101 million in liability collections for prior year overpayment errors are included in the request (page 47).
- o Nutrition Assistance to Puerto Rico is proposed for funding at \$825 million for 1990, a reduction from the 1989 level of \$908 million (page 49).
- o A program level of \$4.4 billion is requested for the Child Nutrition Programs, about \$0.5 billion less than the 1989 current estimate. This takes into account food cost increases offset by about \$0.9 billion in savings achieved by ending cash and commodity subsidies (\$0.26 per meal) currently provided for meals served to children from families with incomes greater than 185 percent of the poverty line. The commodities would be used to help offset the reimbursements currently provided for meals served to the needy (page 49).
- o A funding level of \$2.0 billion is requested for the Supplemental Feeding Programs. This is about the same funding level as 1989 and will maintain the 1989 participation level of 3.9 million recipients per month. The budget request merges the funding for the Special Supplemental Food Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Feeding Program (CSFP) in order to simplify program administration, encourage provision of more equivalent health and nutrition training benefits, and to give States flexibility to serve more pregnant women, infants and children and to interchange caseload levels in the two programs to meet the specific needs of their recipient populations (page 52).
- o The 1990 budget proposes to continue the Cash and Commodities for Selected Groups programs (Elderly, Indians, and Homeless) at the same participation levels as in 1989 for a total cost of \$257 million (page 53).

## SUMMARY OF MAJOR PROPOSALS

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- o The budget proposes that \$120 million will be provided through the Temporary Emergency Food Assistance Program to purchase commodities in addition to those that will be available from the farm support programs. Since no other major bonus commodity program provides administrative funding for bonus commodity distribution, and since food distribution levels and related distribution costs are expected to shrink for future years, the 1990 proposal includes provision to end Federal cost sharing of intrastate distribution costs for this program (-\$50 million) (page 54).

The program level for Marketing and Inspection Programs is proposed at just over \$1 billion, an increase of \$29 million over the 1989 level. The 1990 program level includes user fee proposals amounting to \$80.6 million.

- o The 1990 program level for the Animal and Plant Health Inspection Service (APHIS) is proposed at \$353 million, an increase of \$14.2 million. The Federal, State, and private cooperative program for control and eradication of Brucellosis is proposed for funding of \$55.8 million, the same level as 1989. Funding for the Screwworm program will be continued at the 1989 level of \$32.0 million in order to further widen the protective barrier in the Mexico-Guatemala border area to prevent the northward movement of the screwworm fly. The Agricultural Quarantine Inspection program will continue to operate at the 1989 funding level of \$66.5 million to serve as a major defense against the introduction into the United States of harmful agricultural pests and diseases. Legislation will be proposed to charge fees to travelers to cover the cost of this program which would be consistent with the current practices of the U.S. Customs Service and the Immigration and Naturalization Service. In the Animal Welfare program increases are proposed primarily for inspection of animal holding and research facilities (+\$1.4 million). Other increases are proposed for expanded Animal Disease Detection efforts (+\$1.2 million); expanded Animal Damage Control efforts (+\$4.2 million); and for construction of facilities (+\$12.6 million) (page 58).
- o The 1990 budget proposes \$424 million for the Food Safety and Inspection Service (FSIS), a net increase of \$18.0 million primarily for expanded testing for chemical and antibiotic residues (+\$3.5 million); improved information systems (+\$10.6 million); and improved processing inspection (+\$2.0 million) (page 61).



## SUMMARY OF MAJOR PROPOSALS

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- o No Federal funding has been requested for activities authorized by the Federal Seed Act, Wholesale Market Development program, and Payments to States program, which are administered by the Agricultural Marketing Service (AMS). An annual savings of \$3.6 million is estimated for these activities. Other AMS programs would continue at essentially the 1989 levels with an additional \$12.5 million of these programs financed through user fees (page 62).
- o Funding for Federal Grain Inspection Service (FGIS) is proposed at about the 1989 level of \$45 million. This will enable the agency to provide continued supervision and monitoring of export grain elevators and to prevent the recombination or addition of foreign materials or dust to grain being exported from the United States in accordance with the Grain Quality Improvement Act of 1986 (page 63).

The 1990 budget for the Economics and Statistics agencies would be increased \$10 million to modernize information technology for the statistical reporting programs, improve crop yield statistics, gather and analyze economic data for the Water Quality Initiative, and enhance commodity supply/demand outlook capability (page 65).

The 1990 budget for Departmental Activities proposes a small increase to improve services in several department-wide management and administrative support activities. The increased funding for centralized activities would provide for compliance with laws regarding hazardous waste (page 67).

## RESEARCH AND EDUCATION

### AGRICULTURAL RESEARCH SERVICE (ARS)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
<u>Research</u>			
Soil and Water Conservation .....	\$60.8	\$66.1	\$76.1
Plant Science .....	211.7	214.0	214.4
Animal Science .....	93.5	94.5	100.7
Commodity Conversion and Delivery .	105.3	107.8	112.5
Human Nutrition .....	44.4	45.7	45.7
Integration of Systems .....	12.4	13.0	13.0
Repair and Maintenance .....	11.6	21.3	17.7
Contingency Research Fund .....	0.9	0.9	0.9
Trust Funds .....	3.5	5.0	5.0
 Total, ARS Research .....	 544.1	 568.3	 586.1
<u>Construction</u>			
Buildings and Facilities .....	7.8	16.0	18.5
 Total, ARS .....	 <u>\$551.9</u>	 <u>\$584.3</u>	 <u>\$604.6</u>

Problem-solving basic and applied agricultural research is conducted at Federal laboratories by ARS. Broad areas of emphasis include efficient food and fiber production, groundwater and other natural resource concerns of agriculture, development of new products and uses for agricultural commodities and support of USDA regulatory and technical assistance programs. ARS is the lead Federal agency for human nutrition research and operates five major labs for this research. In total, ARS conducts research at 130 locations throughout the U.S. and abroad. Beltsville, Maryland is the site of the largest ARS center which is also the world's largest multi-disciplinary agricultural research facility.



## RESEARCH AND EDUCATION

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Proposals for 1990 reflect the continued high priority placed on agricultural research by the Department. A net increase of \$17.8 million is proposed for ARS research programs. Increases include \$10 million for the USDA in-house research component of the governmentwide water quality initiative, \$5 million to reduce bacterial and pesticide residues in meat and dairy products and research to develop improved animal disease diagnostic methods. A \$1.8 million increase is proposed to initiate an animal germplasm preservation program in coordination with universities and other organizations on an international basis. Funding for three research facilities is also included in the request.

Soil and Water Conservation. This research emphasizes development of new techniques and systems to manage and conserve soil and water resources. Nonpoint source pollution of water, including agricultural sources, is a primary target of the Water Quality Act of 1987. A significant interagency planning effort, including universities and other non-Federal entities, has produced a coordinated, governmentwide initiative in water quality research, data gathering and education to address agricultural and other nonpoint source pollution. ARS increased funding of \$10 million is the USDA in-house research component of this program. Research will focus on the development of economically feasible crop production systems to minimize adverse impacts on water quality and on the development of improved testing methodologies to sample soil and water for agriculture-related contaminants. This program of research is complementary to ongoing programs in related areas, including biological controls and genetic modification of crop plants to impart disease resistance.

Plant Science. Areas of emphasis include pest and disease research, germplasm evaluation and enhancement and basic plant sciences. Future crop improvement will rely heavily on the application of advanced biological engineering techniques. Gaining a more complete understanding of the location of important genes and gene sequences on chromosomes will be a necessary precursor to full utilization of available crop genetic resources. A proposal to begin the planning and coordination of an effort to develop these genetic maps for important crop plants is included in the budget.

Increased concern over the observed changes in stratospheric ozone levels has raised questions regarding the potential impacts on agriculture. As part of a governmentwide research effort on the implications of global climate change, the budget proposes continued funding of \$700,000 in ARS programs to explore the effects of increased ultraviolet-B light on major crops. An increase of \$3.7 million for related research is proposed within the competitive grants program of the Cooperative State Research Service.

## RESEARCH AND EDUCATION

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Animal Science. Animal science research focuses on major livestock and poultry issues, including nutrition, genetics, reproduction, disease research and food quality and safety concerns. Bacterial contamination of animal products is a major health and consumer issue of the 1980's. A \$1.4 million increase is proposed to build on advances in basic animal and microbial sciences to examine approaches to reduce bacterial contamination in live animals. Related food safety work is proposed under the commodity conversion and delivery function. Also proposed is funding to increase ongoing research to develop new methods for animal disease diagnosis in support of USDA animal health regulatory programs (+\$3.0 million).

Scientists are increasingly recognizing the importance of preserving diverse germplasm of major farm animals, just as preservation of plant genetic diversity has been assured through a coordinated Federal/State/private network. ARS will use a proposed \$1.8 million increase to coordinate the development of an animal germplasm system which will assure the identification, evaluation and preservation of diverse animal genetic resources. Coordination will be developed on an international basis.

Commodity Conversion and Delivery. Research focuses on development of new uses, both food and industrial, for agricultural commodities, elimination of barriers to export of commodities and food safety and quality concerns. For 1990, a \$4.7 million increase is proposed to address food safety concerns associated with meat and dairy products. ARS scientists will pursue the development of rapid screening methods to identify pesticide and drug residues in commodities and animals presented for slaughter and test methods for use by regulatory agencies to identify and confirm pesticide and drug residues in processed animal products.

Buildings and Facilities. Three major construction proposals, closely associated with specific ARS priority research programs, are included. Funds would provide for construction of a new National Seed Storage Lab (\$8.7 million) to assure protection of the Nation's major collection of crop plant genetic diversity. The need for this facility has been supported by scientists within and outside government, the private sector and other concerned organizations. Planning and partial construction funding in the amount of \$3.8 million is also available for this facility from prior appropriations.



## RESEARCH AND EDUCATION

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*An addition of biological containment facilities at the ARS's poultry disease research lab in Athens, Georgia is proposed (\$2.5 million) to permit research on diseases which threaten poultry production. The additional lab facilities will allow scientists to perform research on avian influenza and exotic Newcastle disease simultaneously to address these urgent problems facing poultry producers nationwide.*

*Funds are also proposed to continue a major modernization effort at the Beltsville research center, ARS's largest and most diverse research center. Most of the lab and support facilities at the center were constructed prior to 1950 and are obsolete in terms of modern research needs. Development of a long-range plan to guide the modernization of Beltsville facilities is underway and will be completed during 1989. The 1990 funding of \$7.3 million will be targeted primarily to center-wide improvements in utility and road systems.*

# RESEARCH AND EDUCATION

## COOPERATIVE STATE RESEARCH SERVICE (CSRS)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
Hatch Act Formula .....	\$155.5	\$155.5	\$155.5
1890 Colleges and Tuskegee Formula ..	23.3	24.3	25.3
1890 Capacity Building Grants .....	- -	- -	11.0
Cooperative Forestry Formula .....	17.5	17.5	13.0
Special Research Grants .....	33.8	45.3	15.1
Critical Ag. Materials Act .....	4.9	3.7	0.7
Competitive Research Grants:			
Plant Science .....	12.1	8.0	12.1
Science & Technology Centers .....	- -	- -	3.4
Human Nutrition .....	2.4	1.0	3.0
Animal Science .....	6.0	6.0	14.0
Pest Science .....	2.9	2.0	2.0
Biotechnology .....	19.0	19.0	21.6
Stratospheric Ozone .....	- -	3.7	7.4
Subtotal, Competitive Grants ....	42.4	39.7	63.5
Forestry Competitive Grants .....	3.0	- -	5.0
Animal Health and Disease Formula (Sec. 1433) .....	5.5	5.5	- -
Aquaculture Research Centers .....	3.5	3.8	- -
Alternative Crops Research .....	0.7	1.0	- -
International Trade Centers .....	3.8	3.2	- -
Ag. Productivity Research .....	3.9	4.5	- -
Fed. Administration (direct approp.).	4.1	6.4	1.2
Higher Education .....	4.8	4.8	5.0
Morrill-Nelson Act .....	2.8	2.8	- -
Subtotal, Research Programs .....	309.5	318.0	295.4
Buildings and Facilities .....	42.5	30.5	- -
Total, CSRS .....	\$352.0	\$348.5	\$295.4



## RESEARCH AND EDUCATION

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The Cooperative State Research Service, the Federal component of the Federal-State agricultural research partnership, administers Federal funds for research at the State agricultural experiment stations and other eligible institutions. CSRS also participates in the nationwide system of research planning and coordination.

Proposals for 1990 target priorities in water quality, animal health and disease, basic plant and animal sciences and implications for agriculture of global climate change. Funding also supports an initiative to strengthen the capacity of the 1890 land-grant institutions to recruit, train and graduate high quality students to meet expertise needs of the USDA and the agricultural and forestry sectors. The initiative is coordinated with programs in Extension and other agencies. Graduate training and an innovative, competitive program to modernize higher education programs in agriculture, are funded. Both programs include provisions to encourage minority student development. Funds are requested in CSRS for the Forestry Competitive Grants Program which has previously been funded in the Forest Service.

Hatch, 1890 Colleges and Cooperative Forestry Formulas. These programs provide non-earmarked funding for research in food and agricultural sciences and forestry. On a nationwide basis, formula funds represent roughly 14 percent of the research funding at State agricultural experiment stations under the Hatch Act and nearly 100 percent of the research funding at the 1890 Colleges and Tuskegee University. An increase for the 1890 institutions would support increased research consistent with a broader initiative to strengthen the contribution of those institutions to agricultural and natural resources education and research.

Capacity Building Grants (1890 Institutions). A new program to encourage recruitment, curriculum and research program improvements in partnership with the States, private sector and other entities. Federal agencies will be encouraged to develop ties with the institutions as a means of furthering agency program and hiring goals. Grants will be awarded through a competitive process and will require a non-Federal match.

Special Research Grants. Research projects currently funded by Special Research Grants are designed to focus attention on specific problem areas. University-based water quality research, as a part of the governmentwide initiative in this area, is funded in a \$6.7 million special grant proposal. The grant will focus expertise at the Land-grant universities on critical research needs in the Midwest Corn Belt and other major production areas. Related grants in integrated pest management, pesticide clearance and pesticide impact assessment are also proposed. Funding is also provided for acid precipitation, minor use animal drugs and other National interest programs which have traditionally been coordinated through this program. Other special grants designated for lower priority and local issues are not included in the budget.

Competitive Research Grants. Funds support outstanding research projects from State, Federal and private institutions. Basic research in plant and animal sciences, biotechnology, human nutrition and effects of reduced stratospheric ozone is emphasized. At recent funding levels, only about one-fourth of proposals are funded, and grant levels are below amounts required to fully fund proposed projects and below amounts generally awarded by other Federal programs. A \$23.8 million increase is proposed to provide adequate funds for a larger percentage of the meritorious grant proposals received and to more adequately fund grants in inherently expensive research areas such as biotechnology. A major increase within the animal science category will accommodate animal health and disease research previously funded under a special grant and formula funds. Funding would be provided for a joint USDA/National Science Foundation/Department of Energy program of plant science centers originally funded in 1988. Other competitive programs would be increased, including the program on the effects of stratospheric ozone depletion on major agricultural crops and forests.

Forestry Competitive Grants. A \$5 million program of forestry grants is proposed. Emphasis is placed on research in the areas of harvesting, wood utilization and forest biology.

Animal Health and Disease. This program supports livestock and poultry disease research at colleges of veterinary medicine and eligible State agricultural experiment stations through a formula distribution. Funding for this research is proposed within the competitive grants program.

Higher Education. Funds are provided to continue the successful graduate training program to develop high quality expertise in the food and agricultural sciences. At the \$3 million level, about 75 students will be supported for a three-year term. A new \$2 million program of competitive challenge grants will be initiated to foster improvements in agricultural sciences programs at the universities. These higher education programs will also be available to fund programs at universities to encourage minority student participation in agricultural and natural resource disciplines.



# RESEARCH AND EDUCATION

## EXTENSION SERVICE (ES)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
<i>General Formula Programs:</i>			
Smith-Lever 3(b&c) .....	\$241.6	\$241.6	\$241.6
1890 Colleges & Tuskegee University .....	18.3	18.3	24.0
D.C. Extension .....	0.9	1.0	1.0
Subtotal .....	260.8	260.9	266.6
<i>Earmarked Programs:</i>			
Priority Initiatives .....	0.0	0.0	5.0
Water Quality .....	0.0	1.5	6.5
Rural Revitalization .....	0.9	1.0	1.0
Low-Income Nutrition (EFNEP) .....	58.6	58.6	21.6
Pest Management .....	7.2	7.2	7.2
Pesticide Impact Assessment .....	1.6	1.6	2.6
Other Earmarked Programs .....	5.7	5.9	- -
Subtotal .....	74.0	75.8	43.9
1890 Extension Facilities .....	9.5	9.5	9.5
Renewable Resources Extension .....	2.8	2.8	- -
Section 1440 Grants .....	3.4	3.4	- -
Federal Admin. (direct approp.) .....	7.4	9.1	5.0
Total, ES .....	<u>\$357.9</u>	<u>\$361.4</u>	<u>\$324.8</u>

## RESEARCH AND EDUCATION

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The Extension Service, in partnership with the States, coordinates and supports programs in information delivery and technology transfer. Programs assist individuals and communities in identifying and solving farm, home and local problems through the application of information developed by USDA and the land-grant universities. Federal funds are distributed to the States primarily by statutory formula and provide about one-third of Cooperative Extension funding nationwide.

Support for a program of national initiatives is emphasized in the 1990 budget. A \$5 million program of competitively awarded grants is included to develop innovative projects in national priority areas including integrated agricultural systems, rural development, food safety and quality, pesticide concerns and others. Extension funding also includes support for water quality education as part of the coordinated Federal initiative. Through the State and local offices, Extension will deliver information on farming practices which minimize adverse environmental impacts, appropriate pesticide application techniques and will assist the Soil Conservation Service in developing water quality guidelines for conservation planners. Related to the water quality proposal is funding for pest management and increased funding for pesticide impact assessment.

In addition to pest management and pesticide impact assessment, ongoing programs in low income nutrition education (EFNEP) and rural development centers are funded in the budget. Under existing legislative authorities, a matching requirement from non-Federal funding sources will be instituted for pest management, EFNEP and rural development. With the addition of matching funds, the proposed \$21.6 million EFNEP program will serve about the same number of participants as the 1989 program at the higher Federal funding level. Funds for other lower priority earmarked programs, including urban gardening, farm safety and financial management are not proposed in the budget.

Extension programs at the 1890 institutions will be enhanced through increased formula funding to support a range of programs at those institutions. Continuation of funding for the 1890 extension facilities program is also proposed to assure the availability of modern facilities for the efficient delivery of educational assistance to clientele of those programs.



## RESEARCH AND EDUCATION

### NATIONAL AGRICULTURAL LIBRARY (NAL)

Program Level  
(Dollars in Millions)

Agency	1988 Actual	1989	1990 Budget
		Current Estimate	
National Agricultural Library .....	\$12.2	\$13.3	\$14.9

The National Agricultural Library disseminates information about agricultural and related sciences to scientists, specialists, managers, farmers, and the general public. Several information centers, each focusing on a particular subject area, have been established to enhance the quality and quantity of information services. In addition to providing traditional library services, NAL is expanding its role and serving a wider audience by using modern electronic information dissemination technology to provide wider access to the world's agricultural literature. NAL also coordinates with public and private institutions in collection development, indexing and cataloging material pertaining to agricultural and related sciences.

The budget requests \$14.9 million for NAL, an increase of \$1.6 million above 1989. The increase is proposed to support a new information center to address water quality and quantity, to strengthen existing centers and to implement a network to enhance coordination with land-grant libraries to reduce duplication and improve services. Funds will also support increased efforts in collection, development and preservation.

## COMMODITY PROGRAMS

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### AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE (ASCS)

The Agricultural Stabilization and Conservation Service (ASCS) was established on June 5, 1961, to administer a variety of commodity and land-use programs aimed at supporting farm prices, adjusting farm production, conserving natural resources, and protecting the environment at the local level. ASCS's responsibilities also include management of the Commodity Credit Corporation whose price support programs are authorized by legislation. The funds needed to administer these programs and to take care of the necessary expenses are provided by a transfer from CCC.

For 1989, funds for salaries and expenses for ASCS are estimated at \$580.0 million. The budget includes a proposal that would permit increased 1989 funding for 1988 disaster assistance workload. For 1990, the President's budget provides \$632.6 million, an increase of \$52.6 million above the 1989 level. The Food Security Act of 1985, the Omnibus Budget Reconciliation Act of 1987 and the Disaster Assistance Act of 1988, notwithstanding any future enacted legislation, will continue to have significant influence on how ASCS utilizes its resources to accomplish the many mandated activities.

A discussion of ASCS conservation programs can be found on page 32.

### COMMODITY CREDIT CORPORATION (CCC)

Commodity price support programs are financed through the Commodity Credit Corporation (CCC). The CCC borrows funds from the U.S. Treasury and repays these borrowings, with interest, from receipts and from appropriations provided by Congress. The CCC's outstanding borrowings from the Treasury may not exceed \$30 billion. The outlays for any fiscal year generally relate to the previous crop year; i.e., fiscal year 1989 outlays primarily relate to the 1988 crop year and fiscal year 1990 outlays largely relate to the 1989 crop.

CCC net outlays are difficult to predict accurately since they are heavily affected by weather and other uncertain events during the nearly two-year period after the preparation of the initial January budget estimate and the completion of the budget year's activities. The historical patterns indicate that the initial estimates should be viewed as subject to significant uncertainty. The accuracy of updated estimates made after initial budget submission improves substantially as information about the weather and other variables becomes available.



## COMMODITY PROGRAMS

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CCC Program Costs. Outlays for the farm price and income support programs carried out by the CCC for crop years 1988 through 1990 as shown in the baseline reflect the provisions of the Food Security Act of 1985 (1985 Act), the Omnibus Budget Reconciliation Act of 1987 and the Disaster Assistance Act of 1988. For crop years 1991 through 1994, the outlays reflect a continuation of the trend established in the 1985 Act.

The trend in the 1985 Act implies market-driven price support loan rates, with target prices declining each year. For the 1991 and subsequent crops, target prices are assumed to continue declining at constant annual rates of 1 to 3 percent, depending on the commodity.

Net CCC outlays for price support and related activities in 1988 totalled \$12.5 billion, mostly for the 1987-crop programs. This level of spending was down nearly \$10 billion from the \$22.4 billion spent in 1987 and down over \$13 billion from the record outlay level of \$25.8 billion in 1986. The 1985 Act has played a significant role in reducing outlays for CCC programs. In response to the provisions of this Act, marketing and production decisions have reflected greater market orientation. Price support rates have been reduced. With lower price levels for U.S. commodities, exports, particularly wheat and corn, during the 1987 marketing year contributed heavily to the decline in stocks and the related decline in outlays.

For 1989, total CCC net outlays are projected at \$13.8 billion, up about \$1.3 billion from 1988. Outlays for 1989 are heavily influenced by the drought that occurred during the 1988 growing season. Corn outlays are projected to be reduced from earlier, pre-drought projections by over 75 percent as a result of the drought. Outlays for some other commodities are also expected to be reduced, but to a lesser degree. Offsetting the projected decline in program costs for the grains are increases in the cost of the cotton and rice programs. Neither cotton nor rice production were significantly affected by the drought. Export demand for cotton fell sharply from year earlier levels, further increasing carryover stocks in the 1988 marketing year. Consequently, cotton outlays are projected to rise by nearly \$1.9 billion. Projected outlays for the rice program are up by \$0.9 billion. Also offsetting the projected declines are costs associated with the Disaster Assistance Act of 1988. Based on preliminary information, crop disaster payments under this Act are estimated to amount to approximately \$3.6 billion. In addition, livestock assistance of about \$800 million is expected to be made under on-going programs. The estimate of crop and livestock assistance has not appreciably changed since passage of the Act.

## COMMODITY PROGRAMS

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For 1990, net outlays in the current law baseline are projected at \$11.6 billion, a decline of \$2.2 billion from the 1989 level. Increases are expected in outlays for feed grains and wheat because of an expected return to more normal levels of production. These increases are offset by a reduction in projected outlays for the cotton program, because of higher cash loan repayments in response to recent changes in the cotton loan redemption procedures. Depending on prevailing world prices for cotton, CCC is paying all or a portion of the carrying charges and interest on cotton under loan in order to enhance the competitiveness of American cotton in world trade. The completion of the disaster payment program for 1988 crops also contributed to the decline in projected outlays for 1990 as compared to the 1989 level.

While outlays for the farm price and income support programs have declined from the record-high level in 1986, spending on these programs remains at historically high levels. Before 1982, outlays had ranged between \$1 billion and \$4 billion annually. Since 1982, there has been only one year (1984) in which CCC costs have been below \$10 billion. Assuming a continuation of current law for the 1990 and subsequent crops, outlays are projected to decline from approximately \$13 billion in 1991 to about \$8 billion, by 1994.

In order to help reduce the Federal deficit, further outlay reductions will need to be achieved in the farm programs as well as other Federal programs. The budget indicates further outlay reductions in CCC programs of about \$1.1 billion in 1990 and of \$2.0 billion to \$2.5 billion annually for 1991 through 1994 from the levels estimated for the programs under a continuation of the current law baseline.

There are a limited number of actions which could be taken to achieve further outlay reductions and, at the same time, maintain the Administration's commitment to a more market-oriented agricultural sector. The most direct way to achieve these further outlay reductions would be a 5 percent reduction in target prices beginning with the 1990 crops, with a slightly larger percentage reduction for the 1991-1993 crops, beyond those already assumed under a continuation of current law. This would be consistent with previous Administration proposals as well as with the thrust of the 1985 Act. Another possible way to achieve further savings would be to lower the share of production of program crops eligible for deficiency payments. In addition, outlays for non-target price commodities such as soybeans, honey, wool, tobacco, peanuts and dairy could be reduced by a fixed percentage, e.g. 5 to 7 percent. Reductions in cash disburse-



## COMMODITY PROGRAMS

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ments for loans or producer assessments could be considered. In addition, changes are needed to the sugar program to make it more market-oriented. These approaches would continue the Administration's policy of shifting to a more market-oriented agriculture. To achieve further outlay savings through higher loan rates and larger acreage reduction programs would be counter-productive. Such actions may reduce outlays in the short run; however, they would lead to a reversal of the export expansion that has been underway since the passage of the 1985 Act, ultimately leading to higher program outlays over the longer term.

Program Level. Net outlay figures show only a partial picture of the price support activity that has occurred during the year, because they include receipts due to repayments of loans by producers and commodity sales from CCC inventories. Program level shows total outstanding commitments as a result of CCC programs. The program level for CCC domestic programs is projected at \$20.4 billion for 1989 and \$18.4 billion for 1990. The following tables provide more information on CCC estimates for 1989 and 1990.

# COMMODITY PROGRAMS

## Analysis of CCC Program and Outlay Levels Under Current Law (Dollars in Millions)

Program	Program Levels		Net Outlays	
	1989	1990	1989	1990
<i>Domestic Programs:</i>				
Price Support Loans .....	\$6,095	\$8,040	-\$153	\$1,011
Direct Payments .....	6,172	7,195	6,172	7,195
Purchases and Sales .....	996	1,133	-10	519
Producer Storage Payments ...	319	174	319	174
Processing, Storage, and Transportation .....	654	443	654	443
Operating Expense .....	592	645	590	643
Interest Expenditure .....	580	584	283	283
Disaster Assistance <i>a/</i> .....	4,515	- -	4,515	- -
All Other .....	508	213	1,357	1,204
Subtotal, Domestic Programs ...	20,431	18,427	13,727	11,472
<i>Export Programs:</i>				
<i>Export Credits:</i>				
Export Credit Guarantees ...	5,500	5,500	150	145
Direct Loans .....	- -	- -	-41	-46
General Sales Manager .....	7	8	7	8
Subtotal, Export Programs .....	5,507	5,508	116	107
Subtotal CCC Current Law (Baseline) .....	25,938	23,935	13,843	11,579
Further Budget Savings .....	- -	<i>b/</i>	- -	-1,100
Subtotal, CCC Programs .....	25,938	23,935	13,843	10,479
Credit Reform Adjustment ...	- -	- -	- -	833
CCC/PL 480 Fund Adjustment .	- -	- -	52	206
Grand Total, CCC Programs .....	<u>\$25,938</u>	<u>\$23,935</u>	<u>\$ 13,895</u>	<u>\$11,518</u>

*a/* Includes \$3.6 billion for crop disaster payments under P.L. 100-387 and \$0.8 billion for livestock feed assistance.

*b/* The budget could reduce program levels as well as outlays, depending on the nature of the program changes enacted.



# COMMODITY PROGRAMS

## CCC Net Program Outlays by Commodity Under Current Law (Dollars in Millions)

Commodity	Fiscal Years				
	1986	1987	1988	1989	1990
Feed Grains .....	\$12,211	\$13,967	\$9,053	\$3,042	\$5,562
Wheat .....	3,440	2,836	678	279	1,052
Rice .....	947	906	128	999	959
Cotton, Upland ....	2,142	1,786	666	2,538	994
Tobacco .....	253	-346	-453	-569	-280
Dairy .....	2,337	1,166	1,295	662	893
Soybeans .....	1,597	-476	-1,676	-32	116
Honey .....	89	73	100	60	55
Wool .....	123	152	131	89	98
Disaster Assistance	- -	- -	- -	4,515 <u>a/</u>	- -
Other .....	2,702	2,344	2,539	2,260	2,130
Total, CCC Outlays Under Current Law ..	<u>\$25,841</u>	<u>\$22,408</u>	<u>\$12,461</u>	<u>\$13,843</u>	<u>\$11,579 <u>b/</u></u>

a/ Includes \$3.6 billion for crop disaster payments under P.L. 100-387 and \$0.8 billion for livestock feed assistance.

b/ The President's program proposes to reduce the 1990 outlay total by \$1.1 billion below the current law level.

## INTERNATIONAL PROGRAMS

### INTERNATIONAL PROGRAMS

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
Export Credits:			
Short-term Guarantees .....	\$4,141.4	\$5,000.0	\$5,000.0
Intermediate-term Guarantees ....	362.9	500.0	500.0
Export Enhancement Program <u>a</u> /.....	995.4	770.0	1,000.0
General Sales Manager .....	7.2	7.2	7.6
P.L. 480 .....	1,478.8	1,481.9	1,482.0
Foreign Agricultural Service .....	91.3	95.4	98.6
Targeted Export Assistance .....	110.0	200.0	200.0
Office of International Cooperation and Development .....	50.1	48.5	50.9
Total, International Programs .	<u>\$7,237.1</u>	<u>\$8,103.0</u>	<u>\$8,339.1</u>

a/ Reflects market value of bonuses awarded on approved sales.

### COMMERCIAL EXPORT PROGRAMS

The Department carries out a variety of commercial export programs under authority provided by the CCC Charter Act. The most important of these include the export credit guarantee programs and the Export Enhancement Program (EEP). These programs are administered by the Office of the General Sales Manager.

Under the export credit programs, guarantees are provided by CCC for the repayment of commercial credit extended by private banks to finance U.S. agricultural exports. The GSM-102 program provides guarantees on credit with short-term repayment terms (6 months to 3 years), while the GSM-103 program provides intermediate-term credit guarantees (3 to 10 year repayment). During 1990, \$5.0 billion of GSM-102 and \$500.0 million of GSM-103 export credit guarantees will be made available. These levels are unchanged from 1989 and are consistent with provisions of the Food Security Act of 1985.



## INTERNATIONAL PROGRAMS

Under the EEP, CCC generic commodity certificates are made available to U.S. exporters as bonuses to enable them to be price competitive in targeted overseas markets where competitor countries are making subsidized sales of agricultural commodities. Budget assumptions for CCC anticipate that as much as \$1.0 billion of CCC generic certificates could be made available as EEP bonuses during 1990. This is an increase of \$230.0 million over the level to be made available during 1989.

### P.L. 480 FOOD AID PROGRAMS

#### Program Level 1989 Current Estimate and 1990 Budget

	<u>Titles I/III</u>		<u>Title II</u>		<u>Total</u>	
Program Level	1989	1990	1989	1990	1989	1990
Dollars (Millions) ...	851.9	817.0	630.0	665.0	1,481.9	1,482.0
Commodities (Million Metric Tons) .....	3.7	3.9	1.9	1.9	5.6	5.8

The P.L. 480 program provides foreign food assistance in a number of different ways. Title I provides for sales of U.S. agricultural commodities through long-term concessional CCC financing and for sales for foreign currencies. In the latter case, the foreign currencies received through sales are loaned by the United States to support the development of private enterprise institutions within the recipient countries. Title II of P.L. 480 provides for the donation of agricultural commodities for distribution overseas by recipient country governments, private voluntary agencies, and international organizations, primarily the World Food Program. Title III, which is financed with Title I funds, provides for multi-year program commitments and loan forgiveness to countries which undertake specific agricultural and rural development projects.

For P.L. 480 food assistance, a program level of \$1,482.0 million is proposed for 1990. This program level is virtually unchanged from 1989, although the Title I/III program will decline by approximately \$35.0 million and the Title II program will increase by a similar amount.

The program level proposed for P.L. 480 for 1990 is expected to provide for total commodity shipments of 5.8 million metric tons. This would be an increase of 200,000 metric tons from the level presently estimated for 1989. Actual tonnages shipped will depend upon commodity prices and shipping costs during 1990.

## INTERNATIONAL PROGRAMS

### FOREIGN AGRICULTURAL SERVICE (FAS)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
Foreign Agricultural Affairs .....	\$26.1	\$28.2	\$30.6
Foreign Market Information and Access .....	13.5	14.3	14.3
Foreign Market Development .....	51.7	52.9	53.7
Total, FAS .....	<u>\$91.3</u>	<u>\$95.4</u>	<u>\$98.6</u>

The Foreign Agricultural Service is primarily responsible for the expansion and maintenance of foreign export markets for U.S. agricultural products. Functions of the agency include foreign market intelligence and access, development of foreign markets for U.S. agricultural products, and representation of U.S. agricultural interests abroad.

A program level of \$98.6 million is proposed for FAS in 1990, which will continue funding for the agency's programs at the 1989 level. The 1990 program level also includes a transfer of \$3.2 million from the Department of State's budget. This transfer results from a technical adjustment in the formula used to distribute costs among U.S. foreign service agencies for administrative support provided by State at U.S. embassies and other posts overseas; funding for FAS programs will not increase as a result of this transfer.

FAS administers a number of foreign market development programs which will be continued during 1990. Among these are the Foreign Market Development Cooperator Program and the Targeted Export Assistance (TEA) Program. The 1990 budget assumptions for CCC anticipate a program level for TEA of \$200.0 million, unchanged from 1989.

It is expected that FAS's international trade policy activities will continue to be emphasized during 1990, as the Uruguay Round of multilateral trade negotiations and important bilateral negotiations on agricultural trade will be continuing.



## INTERNATIONAL PROGRAMS

### OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT (OICD)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
International Scientific and Technical Cooperation .....	\$3.5	\$3.5	\$3.7
International Agricultural Development .....	1.8	1.8	0.5
Operation FAST .....	- -	- -	0.8
Foreign Currency Research Program ..	3.5	1.0	- -
Trust Funds .....	4.1	3.9	3.9
Total Direct Programs .....	12.9	10.2	8.9
Reimbursements from AID and Other Organizations .....	37.2	38.3	42.0
Total, OICD .....	<u>\$50.1</u>	<u>\$48.5</u>	<u>\$50.9</u>

The Office of International Cooperation and Development is responsible for cooperative international research, scientific and technical exchanges and liaison with international agricultural organizations. OICD also directs training and technical assistance efforts in as many as 80 developing countries.

The program level proposed for OICD for 1990 provides increases for the agency's activities in conjunction with the international food and agricultural organizations and for its agribusiness promotion activities in the Caribbean Basin. Funding is also proposed for a new initiative titled "Operation FAST" -- OICD's Financial Accounting and Systems Tracking Plan. This funding will be used for the purchase of ADP equipment and related training for use in the agency's budget and accounting activities. The agency's proposed upgrading of ADP equipment is one of a number of steps OICD is taking to improve its financial management capabilities.

No further funding is proposed for two OICD activities in 1990. The Foreign Currency Research Program, funded at \$1.0 million in 1989, is proposed to be phased out due to reduced levels of U.S.-owned foreign currencies. Also, no further funding is proposed for the training program for agricultural students from middle-income countries. During 1989, approximately \$1.5 million is available for this program.

# SOIL AND WATER CONSERVATION PROGRAMS

## SOIL AND WATER CONSERVATION PROGRAMS

Program Level  
(Dollars in Millions)

Agency/Program	1988 Actual	1989 Current Estimate	1990 Budget
<i>Soil Conservation Service:</i>			
Conservation Technical Assistance .....	\$366.4	\$386.6	\$393.7
Soil Surveys .....	67.7	68.2	68.7
Snow Surveys .....	5.4	5.5	5.5
Plant Materials Centers .....	4.9	5.0	6.9
Watershed Planning and Construction .....	184.5	181.0	103.9
River Basin Surveys and Investigations .....	12.1	12.1	9.6
Great Plains Conservation Program .....	20.5	20.5	18.6
Resource Conservation and Development .....	25.1	25.1	24.5
Trust Funds .....	.6	.6	.6
Total, SCS .....	687.2	704.6	632.0
<i>Agricultural Stabilization and Conservation Service:</i>			
Conservation Cost Sharing Programs .....	203.1	208.8	26.8
Conservation Reserve Program ...	1,050.5	1,760.3	2,038.6
Total, ASCS .....	1,253.6	1,969.1	2,065.4
Total, Soil and Water Conservation Programs ...	<u>\$1,940.8</u>	<u>\$2,673.7</u>	<u>\$2,697.4</u>



## SOIL AND WATER CONSERVATION PROGRAMS

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The budget will provide \$632 million and 13,143 staff years for the Soil Conservation Service (SCS) for 1990. It reflects the continued attention given to the conservation provisions of the Food Security Act of 1985. Within these totals, SCS technical assistance to improve water quality will be doubled as part of the coordinated governmentwide initiative. There are proposals to reform the watershed programs and fund them at a reduced level. The Resource Conservation and Development program will be continued with a focus on rural development.

Appropriations for the fifth and last year to enroll land into the Conservation Reserve Program (CRP) are requested for a 40 million acre reserve at a program level of \$2.0 billion.

Conservation Technical Assistance. The budget proposes \$13 million additional funding for technical assistance on water quality. It also includes funds to continue implementing the Food Security Act of 1985 activities. As of October 1988, SCS had made about 84 percent of the highly erodible land determinations. It also had obtained conservation district approval of the conservation plans selected by farmers on 53 percent of the affected lands and it had verified the installation of soil saving measures on 15 percent of the affected lands. The deadline for conservation planning is January 1, 1990. Conservation systems must be installed by January 1, 1995. The Department is confident these deadlines can be met.

The enactment of the Food Security Act of 1985 focused SCS activities on about 153 million acres of the total 420 million acres of cropland in the country.

- o About 143 million acres are considered to be highly erodible and must be managed to meet conservation compliance criteria in order for the operators to continue receiving USDA program benefits. SCS has been making determinations as to which fields are highly erodible; certifying that current conservation systems are adequate (about 48 million acres is probably adequately protected); working up alternative conservation systems for farmers to choose as approved conservation plans for land that will need additional protection, preparing plans for the 40 million acres that will go into the CRP; and working with farmers who are adopting conservation practices and measures.

## SOIL AND WATER CONSERVATION PROGRAMS

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- o About 5 million acres of highly erodible land not now in cropland may be converted to cropland in the next 5-10 years. This land is subject to the "sodbuster" provisions of the Food Security Act of 1985 and therefore additional work will be needed to develop plans, practices, or sanctions as needed.
- o About 5 million acres of wetlands were estimated to have a medium to high potential for conversion to agriculture. These lands are subject to the "swampbuster" provisions of the Food Security Act of 1985. SCS is conducting an inventory of all wetlands to make sure farmers know exactly how the Act affects them.

Other Conservation Operations Programs. Funding is provided for soil surveys which are used to increase understanding of the land resource in direct support of erosion control, snow surveys which are used to forecast water availability in the West, and plant materials centers which develop improved plant varieties in conservation problem areas. The budget proposes to provide National leadership in digitizing soil surveys in cooperation with states and universities. It also proposes to initiate renovation of plant materials centers.

Water Resource Management. SCS water resource programs provide assistance with planning and construction of watershed and upstream flood protection projects to reduce property damages, erosion and sediment. The budget proposes to fund them at reduced levels. Currently, SCS must pay 100 percent of the costs for flood control purposes. Legislation is being proposed to require: (1) cost-sharing for flood control purposes, similar to other government water programs; and (2) that a minimum of at least 20 percent of the benefits of each project to be devoted to agriculture or rural communities.

Resource Conservation and Development (RC&D). The budget recommendation is \$24.5 million. Coordinators in the 189 authorized areas would continue to focus on rural development objectives to promote accelerated conservation and development of natural resources as identified by the local sponsors. There are no plans to expand the program to additional areas.

Conservation Cost-Sharing Programs. Cost-sharing programs that focus directly on water quality improvement are funded. These include special water quality projects under the Agricultural Conservation Program (ACP) at \$8.0 million and the Colorado River Salinity Control Program at \$10.4 million in order to reduce the salt load for downstream users.

The Great Plains Conservation Program provides long-term conservation land treatment contracts to farmers in the ten Great Plains states. It is funded at \$18.6 million.



## SOIL AND WATER CONSERVATION PROGRAMS

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The Water Bank program has been renewing ten year contracts with farmers to provide migratory waterfowl habitat, improve water quality and achieve other conservation objectives. The budget proposes to continue funding at \$8.4 million, but legislation is being proposed to purchase permanent easements on lands with expiring ten-year contracts.

Other conservation cost-share programs are not funded. These programs include the ACP conservation cost-sharing efforts not focused on the special projects for water quality, the Emergency Conservation Program cost-sharing to rehabilitate disaster impacted farmland and the Forestry Incentives Program cost-sharing for timber plantings on private lands.

Conservation Reserve. The program level of \$2,039 million will be used to make rental payments on contracts signed through crop year 1989 (\$1,672 million), for the Federal share of cover costs that need to be met on these contracts (\$296 million), and for cover costs and technical assistance for contracts expected to be entered in 1990 (\$71 million).

In the first seven signups, the Department enrolled over 28 million acres of highly erodible or environmentally sensitive cropland. Erosion has been reduced by more than 90 percent on enrolled land. The total erosion savings of 598 million tons are equivalent to 25 percent of the excess erosion on cropland that was occurring in the country before the program began. Over 1.7 million acres of trees have been planted. And, if the current trends continue, the CRP will likely become the largest publicly sponsored tree-planting program in the Nation's history. Moreover, the existing contracts represent a reduction of nearly 18 million acres of commodity program bases which will yield significant, long-term Commodity Credit Corporation (CCC) savings.

The eighth signup is being planned for February 6-24, 1989 and additional signups will be held in 1989 and 1990. The program level estimates for 1990 are based on plans to reach the 40 million acre enrollment level mandated in the Food Security Act of 1985.

# FOREST SERVICE

## FOREST SERVICE (FS)

Program Level  
(Dollars in Millions)

Activity	1989		1990 Budget
	1988 Actual	Current Estimate	
<i>Management of the National Forest System</i>			
Timber Activities .....	\$886.1	\$928.6	\$965.7
Payments to States from Timber Receipts ..	302.0	322.8	268.4
Total, Timber Related Programs .....	1,188.1	1,251.3	1,234.2
Minerals .....	25.6	27.0	28.2
Range Management & Range Betterment Fund .	31.8	33.6	30.1
Recreation Management & Construction .....	168.4	207.3	173.9
Payments to States -- Other Than Timber ..	23.6	33.2	32.4
Forest Fire Protection .....	161.2	162.1	168.1
Cooperative Law Enforcement .....	9.7	10.6	11.2
Wildlife & Fish .....	52.1	87.2	68.5
Soil & Water .....	35.2	53.2	30.2
Land Acquisition .....	50.4	65.5	7.7
General Administration .....	268.7	272.1	275.3
Other .....	222.7	191.8	163.2
TOTAL Mgmt. of the National Forest System ..	2,237.6	2,395.0	2,223.1
Forest Research .....	132.5	137.9	133.8
State and Private Forestry .....	79.9	86.7	48.6
Total Controllable Programs .....	2,450.0	2,619.5	2,405.5
Forest Fire Suppression .....	412.6	125.0	108.9
Grand Total .....	<u>\$2,862.6</u>	<u>\$2,744.5</u>	<u>\$2,514.4</u>
Receipts .....	\$1,366.5	\$1,697.1	\$1,504.7
Timber Sales Volume (BBF) .....	10.968	11.505	11.351
Timber Harvest Volume (BBF) .....	12.596	12.200	12.200

The National Forest System consists of about 191 million acres of national forests, national grasslands, and land utilization projects in 44 States, Puerto Rico and the Virgin Islands. Managing these lands accounts for the bulk of the FS budget. In addition, the agency conducts research and provides technical assistance and some funding to State forestry agencies.



## FOREST SERVICE

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Timber Sales and Related Programs. The National Forests are a major source of supply for the American wood products industry. They hold over 47 percent of the inventory of standing softwood sawtimber. In recent years, they have provided about 28 percent of the softwood sawtimber harvested in this country. Timber activities include the preparation of timber sales, the administration of contracts after the timber is sold, and restoring the areas which are cut over. Other costs are related to road access, location of boundaries, and reforestation areas with needs related to fires or other factors than recent timber harvest. There are also costs associated with the mitigation of damage to other resources such as wildlife and recreation.

Funding for timber related programs including timber receipts sharing, will be \$1,234.2 million in 1990. This is about half of the funding for FS budgeted programs. The timber sales level will be 11.351 Billion Board Feet while the expected timber harvest level is 12.200 Billion Board Feet. This is consistent with the Administration's policy of proposing a relatively steady volume of timber for sale and letting the harvest level fluctuate around it based on economic factors such as housing starts and GNP.

Recreation. The National Forest System occupies a land area larger than the State of Texas and provides more outdoor recreation than any other Federal agency or single property land holding. Of the 589 million Recreation Visitor Days (a 12 hour stay) of use on Federal lands in 1988, 41 percent was provided by the Forest Service.

The Recreation program consists of the operation and maintenance of facilities ranging from picnic tables to campgrounds complete with showers and electrical hookups. It also includes the construction of recreation facilities and trails, wilderness management, and the protection of cultural resources.

The Administration supports the concept of devoting recreation user charges to the improvement of the recreation experiences available on the national forests. Legislation will be proposed to expand the range of sites at which charges may be imposed. The 1990 budget includes \$7.5 million of additional resources for outdoor recreation programs due to the proposal.

An integral component of the FS National Recreation Strategy is the challenge cost-share program which encourages the public, both nonprofit and profit entities, to become partners with the agency in recreation projects on the national forests. A total of \$7 million is included in the 1990 request. The FS and its partners will cooperate to jointly provide cash, supplies, equipment, and labor.

## FOREST SERVICE

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A total of \$173.9 million is proposed for recreation activities in 1990.

Research. The 1990 budget of \$133.8 million will be \$4.1 million below the 1989 current estimate. The reduction will be accomplished by reducing funding for the lowest priority work in all programs rather than eliminating any broad area. Despite tight funding, several high priority issues have been identified for intensive work:

- o Global Climate Change
- o Catastrophic Forest Fires
- o Water Quality
- o New Wood Products
- o Southern Forest Productivity
- o Threatened and Endangered Species

State and Private Forestry. The 1990 budget of \$48.6 million will be \$38.1 million below the current estimate. However, the current estimate includes one-time funding of \$5.0 million for the construction of centennial trails in Washington and Oregon. The remainder of the reduction proposed for 1990 is due to the reduction or termination of most grants to the state forestry agencies. The FS will maintain selected national data collection and technical assistance functions. About 86 percent of the 1990 funds will be spent on forest pest management.

Fire Programs. The Nation has experienced consecutive severe wildfire seasons in 1987 and 1988. Under current law, the Department has authority to advance funds from any FS budget account for fire suppression to supplement funds appropriated specifically for firefighting. Appropriations for 1987 and 1988 were far less than the fire suppression expenditures during those years, and it was necessary to move \$508 million from the Knutson-Vandenberg (KV) Trust Fund to cover the costs. The budget calls for a 1989 supplemental appropriation of \$250 million to reimburse the KV fund for part of the transfer. This will provide adequate operating balances to ensure that the program activities financed by the trust fund are not diminished.

To provide a reliable source of funding for fire programs in the future, the Administration is proposing a major legislative initiative beginning with 1990 for FS and the Department of the Interior Bureaus which conduct fire activities.

- o Each year, both fire presuppression and suppression will be funded through a permanent indefinite appropriation from the general fund of the Treasury. This means that the amounts available will not be subject to the annual appropriation process. Presuppression



## FOREST SERVICE

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*will continue to be set at a level consistent with other budget priorities each year. Suppression funding will be such sums as may be necessary to carry out the job. This part of the initiative is a financing mechanism only. It will not affect the amount of money spent on fire programs. This will avoid the complicated transfers among accounts required by the present system which pose the risk of disrupting other programs.*

- o Each year the Secretaries of Agriculture and Interior will make a deposit to the general fund of the Treasury from timber and mineral receipts based on the amount of fire program expenditures shown in that year's budget. Timber and minerals receipts will be shared with States and counties based on the residual receipts. In effect, part of the fire programs will be financed through reduced sharing of receipts. For 1990, it is estimated that mineral and timber receipt sharing payments will be reduced by 18.4 percent. Receipts from other activities such as recreation and grazing will continue to be shared as required by current law.*
- o This proposal recognizes that firefighting costs are both unavoidable and unpredictable, yet provides for a funding strategy that both streamlines financing and reduces the Federal deficit. This reduction from Federal timber and mineral receipts, less than one-fifth of the cash benefits States and localities now receive from development of resources on Federal lands, is fair and reasonable, given the non-cash benefits that accrue to non-Federal entities from firefighting on Federal lands. Firefighting protects facilities and structures used by the timber and mineral industries, in turn preserving employment by these industries and ensuring continuation of the receipts they generate. Firefighting keeps public lands such as National Parks and Forests safe and suitable for recreation, thereby contributing significantly to the major economic activity in many rural areas. When fire suppression actions are underway, Federal firefighting resources are often diverted to protect life and private property outside National Park and Forest boundaries, greatly augmenting State and local-financed protection, usually at no cost to those receiving the protection.*
- o The December 1988 report of the joint Interior-Agriculture Fire Management Policy Review Team identified a number of problems with fire program budgeting and made several related recommendations. The Administration's 1990 fire proposal is consistent with the findings and recommendations in that report. The proposed program provides a funding approach that will allow the Forest Service to develop optimal fire programs, remove the difficulties that reliance on emergency transfers has created, and place the burden of firefighting costs on the resources that benefit.*

# SMALL COMMUNITY AND RURAL DEVELOPMENT

## FARMERS HOME ADMINISTRATION (FmHA)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
<i>Farm Credit Programs</i>			
<i>Farm Operating Loans:</i>			
Guaranteed .....	\$893	\$2,598	\$2,800
Direct .....	899	900	600
Emergency (Disaster) Loans .....	30	600	50
<i>Farm Ownership Loans:</i>			
Guaranteed .....	362	724	200
Direct .....	115	95	50
Other Loans .....	10	16	0
Interest Buy-Down .....	40	100	100
<i>Rural Housing Programs:</i>			
Single Family Housing Loans .....	1,271	1,267	0
Rental Housing Loans .....	555	555	100
Other Loans .....	19	23	0
Housing Support Grant Programs ...	49	59	30
Housing Vouchers .....	- -	- -	360
Rural Rental Assistance .....	275	275	- -
<i>Rural Development Programs:</i>			
<i>Water and Sewer Loans:</i>			
Guaranteed .....	- -	- -	50
Direct .....	330	330	200
<i>Community Facility Loans:</i>			
Guaranteed .....	- -	- -	50
Direct .....	96	96	- -
<i>Business/Industrial Loan:</i>			
Guaranteed .....	95	296	96
Other Loans .....	15	15	14
Water and Sewer Grants .....	118	111	75
Rural Development Grants .....	10	10	- -
Salaries and Expenses .....	477	527	531
Total, FmHA .....	<u>\$5,659</u>	<u>\$8,597</u>	<u>\$5,306</u>



## SMALL COMMUNITY AND RURAL DEVELOPMENT

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*The Farmers Home Administration administers a broad range of loan and grant programs authorized principally by the Consolidated Farm and Rural Development Act and Title V of the Housing Act of 1949. Included are programs for farm credit, rural development, and rural housing.*

*The 1990 budget continues the policy of providing farm credit assistance through loan guarantees. Beginning in 1990, the rural development programs would begin to shift to guarantees. Most of the traditional housing loan and grant programs will be replaced with a housing voucher program.*

### Farm Credit

*The FmHA farm credit budget will decrease from \$4.9 billion in 1989 to \$3.7 billion in 1990 and will continue the shift from direct loans to guaranteed loans established in the Food Security Act of 1985. Guaranteed operating loans are projected to increase from about \$2.6 billion in 1989 to \$2.8 billion in 1990. Emergency disaster loans are reduced from \$600 million in 1989 to \$50 million in 1990. The reduction reflects a return to normal program levels following assistance to producers with losses due to the 1988 drought.*

*Direct real estate lending will be continued in 1990 with \$50 million in direct ownership loans and \$200 million in guaranteed loans. Ownership assistance to former borrowers and other family-sized borrowers will continue through subsidized credit sales of FmHA inventory. Currently the agency holds almost 5,000 farms in inventory with a market value of about \$650 million.*

*FmHA will continue efforts in 1989 and 1990 to assist its borrowers through such servicing actions as subordinations, reschedulings and deferrals. In addition, as provided in the Agricultural Credit Act of 1987, the agency is writing down debt, to the current value of collateral if necessary, where the expected payments from the farmer after restructuring exceed proceeds expected from loan acceleration and foreclosure. Implementation of these servicing regulations will allow FmHA to work more effectively with its farm borrowers to resolve problem accounts and restructure nonperforming loans.*

*The number of borrowers delinquent, accelerated, in bankruptcy, or in some other related "inactive" status has remained at about 85,000 while the total number of agency borrowers has decreased from 269,000 in 1986 to 235,000 in 1988. Loan losses on the agency farm loan portfolio of about \$26 billion are estimated by FmHA to total over \$8 billion over the next several years. These losses reflect write-offs on loans that have been delinquent for a number of years and are included in annual appropriations for interest subsidies and loan losses.*

## SMALL COMMUNITY AND RURAL DEVELOPMENT

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The interest buy-down program authorized in the Food Security Act of 1985 has been revised and extended by the Agricultural Credit Act of 1987. The program has been extended for five years and will increase the buy-down subsidy from two points to four points on guaranteed loans used to purchase inventory of the Farm Credit System. A total of about \$400 million remains available for the interest subsidy through 1993.

### Rural Development

The 1990 budget proposes the following funding levels: Water and Sewer Facility loans, \$250 million; Water and Sewer Facility grants, \$75 million; Guaranteed Community Facility loans, \$50 million; and Business and Industrial loan guarantees, \$96 million.

The Department will continue its Rural Development Initiative announced in 1987 which included refocusing of the Rural Development loan and grant programs. For example, the Business and Industrial loan guarantee program is limited to small scale, family-sized enterprises in areas where farmers are attempting to make the transition to non-farm employment. A reduction in the typical guarantee, from over \$1.0 million to about \$500 thousand, allows the program benefits to reach more rural communities.

In addition, the Extension Service is working with State officials to develop a national initiative which will address a range of rural development issues. Rural Enterprise Teams have been organized to assist in business development, job training, and financial management needs. A joint Extension Service and National Agricultural Library information clearinghouse has been established to enable community officials to get up-to-date information about Federal programs available to them, including a reference to the appropriate agency for follow-up.

Finally, the budget includes funding for the Resource Conservation and Development Program in the Soil Conservation Service. SCS provides planning, technical and financial assistance to multi-county areas where there are opportunities to diversify their economies by developing their natural resources.

### Rural Housing

The budget proposes the replacement of most of the traditional housing loan and grant programs with a \$360 million housing voucher program. The Rural Rental Housing program (Section 515) would be reduced to \$100 million for 1990 and directed to rural areas with critical shortages in rental housing. Grant funds are reduced from \$59 million in 1989 to about \$30 million in 1990. The proposed budget would provide assistance for about 25,000 units compared to about 45,000 units to be assisted in 1989.



# SMALL COMMUNITY AND RURAL DEVELOPMENT

## RURAL ELECTRIFICATION ADMINISTRATION (REA)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
<b>Guaranteed Loans:</b>			
<b>Electric:</b>			
Federal Financing Bank .....	\$775	\$813	- -
Private Sector .....	- -	- -	\$1,265
<b>Telephone:</b>			
Federal Financing Bank .....	- -	120	- -
Private Sector .....	- -	- -	100
<b>Total, Guaranteed Loans .....</b>	<b>775</b>	<b>933</b>	<b>1,365</b>
<b>Direct Loans:</b>			
Electric .....	622	622	- -
Telephone .....	194	239	- -
Telephone Bank .....	80	177	125
<b>Total, Direct Loans .....</b>	<b>896</b>	<b>1,038</b>	<b>125</b>
<b>Salaries and Expenses .....</b>	<b>29</b>	<b>31</b>	<b>31</b>
<b>Total, REA .....</b>	<b>\$1,700</b>	<b>\$2,002</b>	<b>\$1,521</b>

The Rural Electrification Administration makes direct loans and guarantees loans made primarily by the Federal Financing Bank (FFB) to borrowers who provide electric and telephone service to rural areas.

The 1990 budget proposes that 100 percent REA guaranteed FFB loans for power supply borrowers be replaced by 90 percent REA guarantees of private loans. Further, 5 percent direct electric loans would be replaced with variable guarantees of private sector loans. The level of guarantee would be determined by criteria reflecting financial need. Direct telephone loans would be replaced with 70 percent guarantees of private sector loans. Guarantees would be directed to those cooperatives with the greatest financial need. The Rural Telephone Bank (RTB) would continue to make direct loans until 1995 when it would become a private institution by retirement of Government Class A stock.

In addition, the Administration encourages privatization by proposing that any borrower with outstanding REA-guaranteed FFB loans have the opportunity to prepay them utilizing an 80 percent REA guarantee and without paying the required prepayment premium. The 1990 budget for REA is a reproposal of the 1989 budget policy.

# SMALL COMMUNITY AND RURAL DEVELOPMENT

## FEDERAL CROP INSURANCE CORPORATION (FCIC)

### Program Level (Dollars in Millions)

<i>Fiscal Year Program Level</i>	<i>1988 Actual</i>	<i>1989 Current Estimate</i>	<i>1990 Budget</i>
<i>Program Level:</i>			
<i>Operating Expenses .....</i>	<i>\$199</i>	<i>\$202</i>	<i>\$226</i>
<i>Indemnities .....</i>	<i>1,463</i>	<i>798</i>	<i>723</i>
<i>Total Program Level .....</i>	<i>\$1,662</i>	<i>\$1,000</i>	<i>\$949</i>
<i>Total Outlays .....</i>	<i>\$411</i>	<i>\$1,245</i>	<i>\$586</i>
<i>Total Appropriations .....</i>	<i>429</i>	<i>314</i>	<i>389</i>
<i>Transfers from CCC .....</i>	<i>900</i>	<i>300</i>	<i>175</i>

<i>Crop Year Indicators</i>	<i>1988 Estimate</i>	<i>1989 Estimate</i>	<i>1990 Estimate</i>
<i>Producer Premium .....</i>	<i>\$328</i>	<i>\$393</i>	<i>\$401</i>
<i>Premium Subsidy .....</i>	<i>107</i>	<i>134</i>	<i>134</i>
<i>Total Premium .....</i>	<i>\$435</i>	<i>\$527</i>	<i>\$535</i>
<i>Total Indemnities .....</i>	<i>\$1,479</i>	<i>\$738</i>	<i>\$695</i>
<i>Loss Ratio .....</i>	<i>3.40</i>	<i>1.40</i>	<i>1.30</i>
<i>Insured Acres (millions) .....</i>	<i>54</i>	<i>71</i>	<i>66</i>

The program level for the crop insurance program in any fiscal year reflects estimated obligations for prior as well as current crop years. For example, crop insurance indemnities for drought losses in crop year 1988 are currently estimated to total almost \$1.5 billion. Most indemnities for 1988 crop losses will be paid in fiscal year 1989. These indemnity estimates are based on a loss ratio of 3.40 and a total premium of \$435 million, consisting of \$107 million in premium subsidy and \$328 million in farmer-paid premium. Losses in excess of producer premium and appropriated subsidy are funded through transfers from the Commodity Credit Corporation.



## SMALL COMMUNITY AND RURAL DEVELOPMENT

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The budget projects continued growth in premium but reductions in outlays as loss ratios improve. Total crop year premium is projected to increase from \$435 million in 1988 to \$527 million in 1989 and to \$535 million in 1990. The 1989 program includes an estimated 11 million acres and \$41 million in insurance premiums required of farmers who received assistance for severe drought losses under the Disaster Assistance Act of 1988. Projected improvement in loss ratios, from 3.40 for the 1988 crop to 1.40 for the 1989 crop, reduce fiscal year outlays from an estimated \$1.2 billion in 1989 to \$0.6 billion in 1990. The loss ratio is expected to drop to .90 by 1994 at which time the program will begin to develop a capital reserve.

Crop insurance participation and program costs will be the focus of analysis for the Commission established by legislation last year to review and make recommendations for improving the program. An interim report of the Commission is due April 1, 1989, and the final report is due July 1, 1989. Recommendations of the Commission and findings of other program reviews by the agency and by the Economic Research Service will serve as essential bases for formulating future budget and legislative proposals for the program.

The agency has also undertaken substantial changes in rate structure and program procedures to reestablish an actuarially sound program. Rates for higher coverage levels (65 percent to 75 percent of normal yield) have been increased relative to rates at the minimum 50 percent coverage level. Greater effort has been focused on reviewing loss reimbursements for fraud and abuse. Procedures for calculating assigned yields have been reviewed and revised. These changes are expected to return the agency to favorable loss ratios over the next five years.

# FOOD AND CONSUMER PROGRAMS

## FOOD AND NUTRITION SERVICE (FNS)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990	
			Current Law	Proposed Law
Food Stamp Program .....	\$12,338.3	\$12,690.7	\$13,364.5	\$13,284.6
Nutrition Assistance for Puerto Rico .....	879.3	908.3	825.0	825.0
Child Nutrition Programs:				
School Lunch .....	2,942.1	3,031.5	3,306.8	2,692.4
School Breakfast .....	473.2	507.6	560.9	546.4
Child Care Food Program .....	613.1	669.3	755.4	436.3
Summer Feeding .....	136.3	149.2	160.6	160.6
State Administrative Expenses ....	55.4	56.8	40.8	40.8
Commodity Procurement:				
FNS funded .....	157.3	180.0	207.8	220.5
Section 32 funded .....	349.7	350.9	350.9	350.9
Total, Child Nutrition Programs	4,727.1	4,945.3	5,383.2	4,447.9
Special Milk Program .....	22.1	15.7	22.7	2.5
Supplemental Feeding Programs:				
Women, Infants, and Children .....	1,802.4	1,929.4	1,961.4	1,961.4
Commodity Supplemental Food Program	48.3	67.9	69.8	69.8
Total, Supplemental Feeding ....	1,850.7	1,997.3	2,031.2	2,031.2
Cash & Commodities for Selected Groups:				
Food Distribution Program .....	65.4	67.8	71.2	71.2
Nutrition Program for the Elderly.	137.6	141.3	145.5	145.5
Soup Kitchens and Food Banks .....	0.0	40.0	40.0	40.0
Total, Cash & Commodities for Selected Groups .....	203.0	249.1	256.7	256.7
Temporary Emergency Food Assistance	50.0	170.0	120.0	120.0
Food Program Administration .....	85.9	89.2	96.8	96.8
Total, Food and Nutrition Service	<u>\$20,156.4</u>	<u>\$21,065.5</u>	<u>\$22,100.1</u>	<u>\$21,064.7</u>

## FOOD AND CONSUMER PROGRAMS

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### FOOD AND NUTRITION SERVICE (FNS)

The overall program level for all domestic food assistance programs is about the same as the fiscal year 1989 current estimate. Since these programs primarily help low-income persons and those especially vulnerable to nutritional deficiencies, including the homeless, funding needs are affected by poverty levels, unemployment and changes in food prices. In general, these variables are favorable in that the Bureau of Labor Statistics (BLS) October, 1988 projection for 1989 unemployment was down to 5.35 percent and is expected to remain low; August, 1988, U.S. Census Bureau data shows the percent of individuals in poverty has been declining since 1983, although it declined only 0.1 percent in 1987; and BLS data on the cost of food at home for October, 1988, show that food price increases have leveled off.

Key programs included in this portion of USDA's budget are the Food Stamp Program; the School Lunch Program; the Supplemental Food Program for Women, Infants, and Children (WIC); and the Temporary Emergency Food Assistance Program. The programs are operated in a State-Federal partnership in which the Federal Government is generally responsible for 100 percent of the food costs, a portion of State administrative expenses, and interpreting the statutes and providing guidance. Benefits are delivered by State and local officials. Income and categorical eligibility requirements are used to target most of the benefits to groups in need.

Food Stamp Program. The 1990 budget proposes a program level of \$13.3 billion for the Food Stamp Program. The request is the current law level for benefits, with legislative changes proposed to restrain the growth of the Federal share of State administrative expenses. The maximum benefit is estimated to increase from \$300 to \$315 per month for a family of four with no countable income. The cost of the increase is expected to be offset somewhat by a reduction in program participation from 18.31 million persons in 1989 to 18.13 million in 1990. State overpayments to recipients which are paid by USDA continue to run over \$800 million per year, however, anticipated receipts from States of \$101 million for overpayments they made in prior years are included in the funding request. The legislative proposal will contain the Federally-financed portion of State administrative expenses (SAE) by discontinuing matching funding greater than 50 percent of State expenditures; by funding 1990 SAE at the 1989 level; and by indexing SAE support thereafter by the GNP deflator. A portion of the Federal funding for State employment and training (E&T), the "special 50 percent operating grants," will be capped at \$30 million.



## FOOD AND CONSUMER PROGRAMS

The Food Stamp Program is a Federal-State partnership that enables individuals in low-income households to obtain better diets by supplementing the funds they have to spend on food with food stamps usable to purchase domestic food items at most food stores. State and local governments are responsible for receiving and processing applications, ensuring that the correct amount of benefits are issued to eligible households, and providing employment and training as well as job search or other programs to help the able-bodied gain employment. Homeless individuals may receive food stamps since a fixed address is not required.

Eligibility for a household is based on its members having gross income at or below 130 percent of the poverty line and net household income, after deducting various expenses, at or below 100 percent of the poverty line. The gross and net income thresholds for 1989 for a family of four are \$15,145 and \$11,650, respectively. Further, the household resource limit allows members to own their home, a car valued at less than \$4,500, and other resources of no more than \$2,000 for the household. Benefits are provided in the form of a food stamp allotment. The maximum benefit of \$300 per month for a family of four in 1989 would be provided if the household had no countable income. Less than the maximum is provided when the household has countable income.

### Key Information Relevant to the Food Stamp Program

	1988 Actual	1989 Current Estimate	1990 Budget	
			Current Law	Proposed Law
Unemployment .....	5.65%	5.35%	5.20%	5.20%
Participation (millions) ....	18.660	18.308	18.125	18.125
Maximum Benefit for a family of four (\$/month) .....	\$290	\$300	\$315	\$315
Ave. Benefit (\$/person/month)	\$50.04	\$52.03	\$55.36	\$55.36
<b>Funding (Dollars in Millions):</b>				
Net Benefits .....	\$11,140	\$11,439	\$12,042	\$12,042
Administration and Other Program Costs .....	1,198	1,252	1,323	1,243
TOTAL Program Level .....	<u>\$12,338</u>	<u>\$12,691</u>	<u>\$13,365</u>	<u>\$13,285</u>

## FOOD AND CONSUMER PROGRAMS

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Nutrition Assistance for Puerto Rico. The budget includes \$825 million for the Nutrition Assistance Program (NAP) for the Commonwealth of Puerto Rico. NAP provides a grant to Puerto Rico to operate a food assistance program specifically tailored to the needs of the Island's low-income citizens. Puerto Rico has established eligibility standards and administrative mechanisms similar to those of the Food Stamp Program to assist low-income households with cash grants, i.e., checks rather than food stamps. This assistance is intended to supplement recipients' income to help them purchase food for an adequate diet. Under NAP, Puerto Rico receives USDA grant funds for benefits, plus 50 percent of administrative and special projects costs. About 45 percent of Puerto Rico's people, 1.4 million out of 3.2 million, receive NAP food assistance.

Child Nutrition Programs. The 1990 budget proposes \$4.4 billion for the Child Nutrition Programs. This provides for food cost increases, increases in meals served due to an increase in the number of children in the population, and continues full subsidies for meals served to needy children. A savings of about \$0.9 billion below current law would be achieved by eliminating subsidies for children from families with income levels above 185 percent of the poverty line. Commodities formerly provided for meals for children above 185 percent of poverty would be used in lieu of a portion of the cash reimbursement for meals served to the needy. Therefore, the same amount of commodities will still be purchased for school distribution. No funds are requested to support Nutrition Education and Training since the program, intended to provide seed money to encourage nutrition education, has successfully fostered such programs and is no longer needed. Included for 1990 is \$6.4 million for review of State and local school meal claiming practices.

The Child Nutrition Programs are a State-Federal partnership in which FNS assists State and local governments in providing food services for children in public and nonprofit private schools, child care institutions, and summer recreation programs. The programs include the National School Lunch Program, the School Breakfast Program, the Child Care Food Program, and the Summer Food Service Program. FNS provides the States (1) cash and commodities on a per meal basis to offset the cost of meals served to eligibles, (2) cash to offset a portion of State administrative expense, and (3) technical assistance.

- o National School Lunch Program (NSLP). Eligibility for the program is open to all nonprofit public and private schools and residential child care institutions. Under current law providers receive subsidies for all lunches served to children enrolled in high school grade or under. All children, regardless of level of family household income, may participate in the lunch program if they attend one of the over 90 percent of schools participating in

## FOOD AND CONSUMER PROGRAMS

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the school lunch program. Benefits provided by USDA vary depending upon the economic status of the child to whom each meal is served with USDA providing cash and commodities enabling schools to offer free meals to the neediest children. Lesser subsidies are provided as the economic status of the recipient improves.

- o School Breakfast Program (SBP). The program is available to the same schools and institutions as the School Lunch Program and uses the same income eligibility guidelines. Only about 40 percent of lunch program schools serve breakfast.



# FOOD AND CONSUMER PROGRAMS

## Meals Served and Subsidy Rates (Cash and Commodity) for the School Lunch and Breakfast Programs

<u>Income category</u>	<u>Average Daily Meals Served</u>		<u>Federal Subsidy School Year</u>	
	<u>1989</u> (Thousands)	<u>1990</u>	<u>1989</u> (Dollars per meal)	<u>1990</u>
<u>School Lunch Program:</u>				
1. Students from families above 185% of poverty (above \$21,553 per year for a family of 4)	11,994	12,159	\$0.2625	- -a/
2. Students from families between 130% and 185% of poverty (between \$15,145 and \$21,553 for a family of 4) .....	1,486	1,506	\$1.1850	\$1.2600
3. Students from families below 130% of poverty (below \$15,145 for a family of 4) .....	9,345	9,474	\$1.5850	\$1.6600
<u>School Breakfast Program:</u>				
1. Students from families above 185% of poverty (above \$21,553 per year for a family of 4)	449	457	\$0.1400	- -b/
2. Students from families between 130% and 185% of poverty (between \$15,145 and \$21,553 for a family of 4)				
Regular .....	83	84	\$0.4925	\$0.5600
Severe Need <u>c/</u> .....	88	89	\$0.6475	\$0.7225
3. Students from families below 130% of poverty (below \$15,145 for a family of 4)				
Regular .....	1,259	1,282	\$0.7925	\$0.8600
Severe Need <u>c/</u> .....	1,727	1,759	\$0.9475	\$1.0225

a/ Under current law the subsidy rate would be \$0.2750.

b/ Under current law the subsidy rate would be \$0.1750.

c/ Rates in effect for schools serving 40 percent of their lunches at free or reduced rates during second preceding school year.

- o Child Care Food Program. Eligibility for the program is open to all nonprofit public and private child care centers and day care homes designed to provide child care services to preschool children. The centers must be licensed or approved according to Federal, State or local standards. While children are eligible up to age 12, the program is concentrated in the preschool age group. In child care centers, benefits provided by USDA, like in the lunch program, vary depending upon the income status of the child to whom a meal is served. All children in family day care homes get free meal subsidies regardless of the family's household income. Cash and commodity subsidies are provided to offset part or all of the cost of meals.
- o Summer Food Service Program (SFSP). SFSP was established to serve meals to needy children during the summer when school is not in session and they have no access to "free lunches." Eligibility is open to nonprofit public or private schools, other government organizations, or public or private nonprofit residential camps provided they serve areas in which 50 percent of the children are eligible for free or reduced price meals during the school year. Providers receive subsidies for breakfasts, lunches, and/or supplements served to children. Benefits for summer 1989 are estimated to be \$1.7925 in cash for each lunch or supper served, \$0.9975 for each breakfast, and \$0.4700 for each supplement.
- o Child Nutrition Federal Review System. After a series of audits and reviews indicated problems in school meal counting and claiming systems, a pilot program to assess the situation began in 1989. Reviews of a representative sample of school food authorities (SFA's) will occur this spring. Additional funds are requested in the 1990 budget to continue these efforts and to develop methods to assist school food authorities to improve the accuracy of their claims.



## FOOD AND CONSUMER PROGRAMS

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Special Milk Program. The 1990 request proposes a program level of \$2.5 million to continue fully funding milk served to low-income children at an average reimbursement rate of \$0.1469 per half pint. Consistent with the Child Nutrition budget, a legislative proposal will be submitted to end subsidies for milk served to non-needy children, which account for 95 percent of current program costs. Federal assistance would be targeted to the needy, reducing Federal costs by nearly \$19 million annually. Through the Special Milk Program half-pints of milk are provided to children in schools and institutions that do not participate in other Federal food assistance programs and to split session kindergartens without access to the School Lunch or Breakfast Programs.

Supplemental Feeding Programs. Currently there are two Special Supplemental Feeding Programs which provide benefits to similar target populations. The budget requests a total of \$2.031 billion: \$1.96 billion for the Special Supplemental Food Program for Women, Infants, and Children (WIC) and \$70 million for the Commodity Supplemental Feeding Program (CSFP). WIC provides health and nutritional training benefits. The budget request merges the funding for WIC and CSFP in order to simplify program administration, encourage provision of more equivalent health and nutrition training benefits, and give States the flexibility they need to serve more women, infants and children and to interchange caseload slots to most efficiently target assistance to those in need. The request will enable the combined programs to support monthly participation of 3.9 million women, infants and children; and 83 thousand elderly. Monthly participation may increase beyond these levels due to State-initiated WIC food cost-containment initiatives which will continue to result in substantial savings which can be used to increase program participation.

WIC eligibility is targeted to low income pregnant, postpartum, and first year breastfeeding women; infants (under one); and children under five years of age, who have been assessed at nutritional risk by health care professionals, and whose income does not exceed 185 percent of poverty. WIC participants may not participate in both WIC and CSFP. CSFP eligibility is similar to WIC except children up to six and adults 60 years or older may participate.

WIC benefits in 1990, on a per recipient per month basis, and without considering the savings from infant formula rebates, include cash grants expected to average \$35.25 for food and \$8.81 for the Federal share of State administrative costs. Vouchers prescribe packages of food designed to supplement each type of participant's diet with foods that research indicates are typically lacking in the WIC population's diet. WIC recipients use the vouchers to buy from local retailers their specific food package. Nutrition education and access to health services, including drug abuse education and referral, are also provided. Medical assessment and nutrition education are mandated program benefits.



## FOOD AND CONSUMER PROGRAMS

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In contrast, CSFP provides packages of supplemental commodities rather than vouchers. CSFP benefits in 1990 for WIC-type recipients will amount to entitlement commodities averaging about \$20.03 per month, plus about \$5.13 in bonus commodities. For elderly recipients entitlement will be \$16.14 per month plus \$8.25 in bonus commodities. The packages are designed to supplement recipients' diets with foods research has found to be typically lacking in the recipient population's diet. Cash is also provided to share a portion of State costs of program administration.

Cash and Commodities for Selected Groups. This account includes funds for the Nutrition Program for the Elderly; the Food Distribution Program on Indian Reservations; continuation of assistance to the Republic of Palau; and the newly authorized food assistance to homeless people through food donations to soup kitchens and food banks. The budget proposes \$257 million which reflects adjustments for inflation and participation changes in the Indian program, and includes \$40 million for the purchase of commodities for distribution to soup kitchens and food banks. This funding level will provide nutrition assistance to nearly 140 thousand American Indians each month, and will enable the elderly to receive over 256 million meals.

- o Food Distribution Program on Indian Reservations (FDPIR). This program provides nutrition assistance to low-income American Indians living on or near reservations and residents of the former United States Trust Territory of the Pacific Islands. Through monthly distribution from local warehouses, participating Indians receive a variety of commodities to help maintain a healthy diet. They also receive information on proper nutrition, food storage, sanitary food preparation methods, and suggestions for use of the commodities. FDPIR is needed as an alternative to the Food Stamp Program for Indian households in rural areas where the Food Stamp Program is not available, or where food stores are inconvenient.
- o Soup Kitchens and Food Banks. The Hunger Prevention Act of 1988 authorizes the purchase of \$40 million in commodities specifically for donation to soup kitchens and food banks. In 1989 the Department plans to provide canned pork, dry beans, and canned fruit, vegetables and juices.
- o Nutrition Program for the Elderly (NPE). This is a U.S. Department of Health and Human Services (HHS) program authorized by Titles III and VI of the Older Americans Act of 1965. USDA supplements HHS programs for the elderly with cash and commodities for meals served to the elderly in congregate settings or via meals on wheels at the rate of \$0.5676 per meal. Anyone 60 years of age or older and their spouse, regardless of age, may participate in the program.

## FOOD AND CONSUMER PROGRAMS

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Temporary Emergency Food Assistance Program. The budget request supports the distribution of surplus commodities through the Temporary Emergency Food Assistance Program. The budget also requests \$120 million for the purchase of commodities in addition to those that will be available from the farm support programs. Funds are not requested for intrastate distribution of commodities (\$50 million in 1989).

In December 1981 the Administration began a special distribution of cheese designed to reduce excess inventories of dairy products and to provide temporary, food assistance to needy households via a State/Federal distribution partnership. Subsequently, Congress enacted law authorizing \$50 million annually for the cost of intrastate storage and distribution. Bonus distributions grew from about \$100 million in the late 1970's to \$1.7 billion by 1984 and remained at \$1.5 billion in 1987, with the Temporary Emergency Food Assistance Program accounting for almost \$0.9 billion each year. Changes to the farm support programs have resulted in a reduction in commodity inventories and acquisitions. Bonus distributions are expected to drop to \$500 million in 1989 and to a level of \$200 million or less in the future.

During this time USDA has funded 100 percent of the food costs and much of the State level distribution and administrative costs. This is the only major bonus commodity program which has provided administrative funding for bonus commodities. With distribution expected to shrink, and States expected to maintain their current levels of support, Federal sharing of State distribution costs is no longer necessary.

Food Program Administration. The 1990 budget proposes a program level of \$96.8 million to fund the cost of Federal administration of the domestic food assistance programs. This is an increase of \$7.6 million from the 1989 current estimate, and will provide for the following:

- o Upgrading the financial system in response to criticism by the Government Accounting Office (GAO) and the USDA Office of the Inspector General.
- o Implementing and operating automated data processing systems in support of a variety of activities agency-wide.
- o Implementing and operating food distribution program enhancements, mandated by P.L. 100-237, to allow the food distribution system to be more responsive to recipients.
- o Implementing and evaluating State welfare reform initiatives which maintain effective cost neutrality and show promise of providing a more effective welfare system in the future.

## FOOD AND CONSUMER PROGRAMS

### HUMAN NUTRITION INFORMATION SERVICE (HNIS)

Program Level  
(Dollars in Millions)

Agency	1988 Actual	1989 Current Estimate	1990 Budget
Human Nutrition Information Service .....	\$8.6	\$8.8	\$9.5

The Human Nutrition Information Service performs and sponsors surveys and other research to improve professional knowledge and public understanding of food supplies and the nutritional adequacy of diets of the U.S. population.

The 1990 level of \$9.5 million includes an increase of \$0.65 million for analysis of data from the 6,000 household Nationwide Food Consumption Survey (NFCS) and the 2,250 household Continuing Survey of Food Intakes of Individuals (CSFII). The CSFII is completed most years and provides data on the adequacy of diets of the general population and the low-income household population. The NFCS is completed every ten years and provides more detailed measures of the food and nutrient content of household diets and the monetary value of food used by households.



# MARKETING AND INSPECTION PROGRAMS

## Program Level (Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
Animal and Plant Health Inspection Service .....	\$336.6	\$338.8	\$353.0
Food Safety and Inspection Service .	393.0	406.0	424.0
Agricultural Marketing Service .....	165.9	170.8	171.1
Federal Grain Inspection Service ...	38.4	45.0	45.1
Office of Transportation .....	2.4	2.4	1.4
Packers and Stockyards Administration .....	9.4	9.6	9.6
Agricultural Cooperative Service ...	4.6	4.7	2.3
Total, Marketing and Inspection Programs .....	<u>\$950.3</u>	<u>\$977.3</u>	<u>\$1,006.5</u>

## MARKETING AND INSPECTION PROGRAMS

### ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

#### Program Level and Budget Authority (Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
<i>Brucellosis</i> .....	\$65.6	\$55.8	\$55.8
<i>Screwworm</i> .....	32.0	32.0	32.0
<i>Agricultural Quarantine Inspection:</i>			
<i>Appropriated</i> .....	60.0	66.5	- -
<i>User Fees</i> .....	- -	- -	(66.5)
<i>Animal Welfare</i> .....	6.2	6.2	7.6
<i>Boll Weevil</i> .....	12.1	9.6	9.6
<i>Veterinary Diagnostics:</i>			
<i>Appropriated</i> .....	10.9	12.4	10.8
<i>User Fees</i> .....	- -	- -	(1.6)
<i>Medfly</i> .....	9.7	9.9	10.4
<i>Grasshopper</i> .....	8.9	8.9	6.0
<i>Biocontrol</i> .....	4.3	4.3	6.7
<i>Imported Fire Ant</i> .....	5.0	5.0	2.3
<i>Animal Disease Detection</i> .....	3.1	4.8	6.0
<i>Pseudorabies</i> .....	2.4	2.7	2.4
<i>Animal Damage Control</i> .....	24.9	25.6	29.8
<i>Buildings and Facilities</i> .....	2.2	2.6	15.2
<i>All Other</i> .....	89.3	92.5	90.3
<i>Total, Budget Authority</i> .....	336.6	338.8	284.9
<i>New User Fees</i> .....	- -	- -	+68.1
 <i>Total, Program Level</i> .....	 \$336.6	 \$338.8	 \$353.0

The major objective of the Animal and Plant Health Inspection Service is to protect the animal and plant resources of the nation from economically dangerous diseases and pests. To accomplish this, the agency carries out various survey and diagnostic activities and conducts control and eradication programs with the affected States. APHIS also conducts an agricultural inspection program at ports of entry, is responsible for administering the Animal Welfare Act, and is the lead agency for the Department's regulation of agricultural biotechnology products.

In 1990, the Budget proposes a program level of \$353.0 million for this agency.

## MARKETING AND INSPECTION PROGRAMS

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Brucellosis. The Department cooperates with State, industry organizations, and individual herd owners in an effort to control and eventually eradicate brucellosis. This is done primarily through surveillance, elimination of infected herds, and vaccination. The budget proposes to maintain funding at the 1989 level of \$55.8 million which would finance the last year of the five-year effort to reduce Federal involvement in the program. The number of the most heavily infested States has dropped from 17 in 1982 to 6 States in 1988 and the incidence of the disease continues to fall. The objective of the phase down plan is to eliminate high levels of the disease in problem States by the end of 1990 after which the Department would limit its role to surveillance and the enforcement of interstate regulations.

Screwworm. The screwworm eradication program successfully established a sterile fly barrier zone in Southern Mexico in July 1984. Since then, the program has extended eradication throughout the remainder of Mexico and will soon begin activities in Guatemala. In 1990, funding would be maintained at the 1989 level of \$32 million which would enable APHIS to continue its operations in Mexico and Guatemala aimed at preventing the northward movement of the screwworm fly.

Agricultural Quarantine Inspection (AQI). This activity is the Nation's frontline defense against the introduction of dangerous agricultural pests and diseases. The 1990 budget proposes to maintain the 1989 funding level of \$66.5 million but to charge fees to cover costs of the entire program. In the Administration's view, international travelers should pay a reasonable fee for those activities that are needed to reduce the risk to agriculture which is created by their travel. The number of international air and sea passengers in 1988 totaled almost 35 million. Furthermore, charging user fees for AQI work would be consistent with the approach taken by the U.S. Customs Service and the Immigration and Naturalization Service which have been charging fees for their airport inspection work since 1986.

Animal Welfare. As mandated by the Animal Welfare Act, APHIS carries out activities to ensure the humane care and treatment of warmblooded animals used for research or exhibition or sold as pets. This is accomplished primarily through the unannounced inspection of dealers, research facilities, and exhibitors. The 1990 budget proposes \$7.6 million, an increase of \$1.4 million to pay for the more thorough inspections required by the 1985 amendments to the Animal Welfare Act. These amendments address a number of issues including exercise for dogs, the psychological well being of nonhuman primates, and animal pain and distress during experimental procedures.



## MARKETING AND INSPECTION PROGRAMS

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Boll Weevil. The 1990 budget proposal of \$9.6 million includes funding for boll weevil control activities in the Texas High Plains program, the Southwest eradication program, and the expanded Southeast program. Boll weevil eradication remains an important goal for the Department. The boll weevil is the dominant pest in most of the Cotton Belt and growers apply significant quantities of pesticide each year in attempts to protect their crops. Therefore, a significant environmental benefit associated with boll weevil eradication is the substantial reduction in insecticide usage and an increase in the utilization of highly selective non-chemical methods for controlling the pests.

Veterinary Diagnostics. This program includes the diagnostic laboratory activities needed to support APHIS' full range of animal disease programs as well as diagnostic assistance to the livestock and poultry industries. While the program level will remain the same in 1990, the Department is proposing to charge fees for laboratory testing and reagent production performed for States, industry, universities, and other Federal agencies. Of the total \$12.4 million program level, an estimated \$1.6 million will be collected through fees.

Animal Damage Control. This program is designed to protect U.S. agriculture from losses caused by wild animals, primarily coyotes. For 1990, the budget proposes \$29.8 million, an increase of \$4.2 million to purchase new equipment and to expand control activities in the Western States.

Buildings and Facilities. This is a separate APHIS appropriation that funds new construction, as well as maintenance and repair of APHIS operated facilities. The 1990 request is an increase of \$12.6 million which will be used to upgrade the Denver Wildlife Research Center and for construction of a new Plant Germ Plasm Quarantine Laboratory in Beltsville, Maryland. This new laboratory will replace the current facilities which are antiquated, dispersed, and lacking in adequate security. APHIS' role is to ensure that germ plasm imported to the United States does not inadvertently introduce exotic pathogens, pests, or weeds that could hamper U.S. agricultural productivity.

## MARKETING AND INSPECTION PROGRAMS

### FOOD SAFETY AND INSPECTION SERVICE (FSIS)

Program Level  
(Dollars in Millions)

Activity	1988 Actual	1989	1990
		Current Estimate	Budget
Slaughter Inspection.....	\$224.8	\$231.6	\$242.2
Processing Inspection .....	97.7	96.8	98.8
Import-Export Inspection .....	10.2	10.5	10.8
Laboratory Services .....	23.8	29.2	32.7
Grants to States .....	35.5	36.9	38.3
Total, Salaries and Expenses ...	392.0	405.0	422.8
Trust Funds .....	1.0	1.0	1.2
Total, FSIS .....	<u>\$393.0</u>	<u>\$406.0</u>	<u>\$424.0</u>

The mission of the Food Safety and Inspection Service is to assure the nation's meat and poultry supply is safe, wholesome, unadulterated and properly labeled and packaged.

In 1990, the budget proposes a program level of \$424.0 million for FSIS, a net increase of \$18.0 million over 1989. The additional funding will support the following programmatic increases.

Slaughter Inspection. FSIS provides inplant inspection of domestic meat and poultry before and after slaughter. For 1990, the budget for slaughter inspection includes funds to significantly expand the use of rapid tests, such as Sulfa On Site (SOS), Swab Test On Premises (STOP), and Calf Antibiotic Sulfa Test (CAST), to detect chemical residues in meat and poultry products. Additional inspectors would be added to perform the tests and to meet increased demand for inspectors resulting from plant expansions and new line shifts. The budget also proposes additional funding for training of field supervisors in new scientific inspection procedures.

## MARKETING AND INSPECTION PROGRAMS

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Processing Inspection. FSIS monitors the further processing of meat and poultry products. In November 1986, the Meat and Poultry Act was amended to allow USDA to develop a variable frequency inspection plan for meat and poultry processing plants. The 1990 budget proposal includes funds for the implementation of a new system called Improved Processing Inspection (IPI). Also, the budget for processing activities reflects an increase for training of supervisors to develop technical skills required for IPI and the conversion of inspectors to food technologists.

Import-Export Inspection. FSIS reviews inspection systems in countries exporting meat and poultry products to the U.S. and inspects imported products at ports of entry. The 1990 budget for Import-Export Inspection includes additional funding for increased operating costs.

Laboratory Services. The 1990 budget for Laboratory Services includes additional funding for laboratory services associated with the increased level of residue testing by inplant inspectors. The budget proposal also includes additional funding for a comprehensive review of laboratory operations in Federal, State, contract, and accredited laboratories to assure the quality of scientific procedures and personnel.

Grants to States. FSIS reviews State inspection programs to assure standards, at least equal to Federal standards, are applied to meat and poultry plants under State jurisdiction. For State inspection programs, USDA contributes, through a Grants to States program, up to 50 percent of each State's costs. The total funds requested for the 1990 Grants to State program has been increased over the 1989 level to compensate for increased operating costs.

### AGRICULTURAL MARKETING SERVICE (AMS)

Programs of the Agricultural Marketing Service promote the orderly and efficient marketing and distribution of agricultural commodities. Most programs provide services to, and are supported by market participants. For 1990, users would finance 81 percent of the AMS budget. This includes \$12.5 million in new user fees to cover the postage, printing, and handling of tobacco market news reports, the standardization program, the market development and assistance program, and the marketing agreements and orders program. In addition, several appropriation financed activities would be discontinued for a savings of \$3.6 million. The activities for which no Federal funds have been requested are:



## **MARKETING AND INSPECTION PROGRAMS**

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- o The AMS activities authorized by the Federal Seed Act, which prohibits mislabeled agricultural and vegetable seed from moving in interstate commerce. All States have seed laws which provide an adequate level of consumer protection.*
- o The Wholesale Market Development program, which conducts research and technical assistance aimed at improving market efficiency with emphasis on the most effective types of facilities needed to market farm products and distribute food within urban areas. Federal participation in the development of major wholesale markets in past years has established the research and technological base necessary for local governments and the private sector to continue this work.*
- o The Payments to States program, which funds, on a cost-shared basis, agricultural marketing projects promoting the adaptation of new technology to the marketing of farm products and seeking new outlets for existing farm produced commodities. In the Administration's view, it is no longer appropriate for the Federal government to fund marketing service projects geared to developing ongoing State capabilities and services or projects designed for specific local marketing problems.*

*There is a proposed \$0.3 million increase in the market news program to develop and maintain a computerized data base and communications network to improve the timeliness and accuracy of market news information.*

### **FEDERAL GRAIN INSPECTION SERVICE (FGIS)**

*The Federal Grain Inspection Service establishes official U.S. Standards for grain, conducts weighing and inspection activities, and inspects other agricultural products. The agency's operating authority expired at the end of 1988 and legislation to reauthorize FGIS for an additional four years was recently enacted by the Congress. This allows the agency to operate as it has in the past which includes authority to receive appropriated funds for standardization and compliance activities and to charge user fees for weighing and inspection services.*

*The 1990 budget proposes a slight increase to continue work begun in 1988 on the implementation of the Grain Quality Improvement Act which was enacted on November 10, 1986. This law prohibits the recombination or addition of foreign material to grain as well as the reintroduction of dust to grain. The agency will continue its supervision and monitoring work at the 87 export elevators it supervises as well as at its 28 field offices. Compliance monitoring will also be carried out to ensure that the law is followed by the 79 State and private agencies designated to provide official services at interior points within the U.S.*

## **MARKETING AND INSPECTION PROGRAMS**

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### OFFICE OF TRANSPORTATION (OT)

The Office of Transportation helps assure that there is an efficient and equitable transportation system in agricultural and rural areas. This is accomplished through research on specific transportation problems, analysis of agricultural impacts of proposed policy changes, and informational assistance to carriers and shippers. The 1990 budget proposes a 42 percent reduction below the amount appropriated by the Congress in 1989. OT would continue to carry out mandatory activities. Research activities on low priority agricultural transportation matters would be reduced.

### PACKERS AND STOCKYARDS ADMINISTRATION (PSA)

The Packers and Stockyards Administration works to maintain equitable competition in order to bring farmers and ranchers the fair market value of their livestock and poultry. Consumers and members of the livestock, meat and poultry industries are also protected against unfair business practices which could unduly affect meat and poultry prices. Legislation signed into law on November 23, 1987, which became effective February 22, 1988, provides poultry producers prompt payment and trust protections similar to those currently provided to livestock producers. The 1990 budget requests \$9.6 million for this agency, which is the same as the appropriated level in 1989.

### AGRICULTURAL COOPERATIVE SERVICE (ACS)

The Agricultural Cooperative Service provides technical assistance and conducts research on economic, financial, organizational, managerial, legal, social, and other related issues that affect cooperatives. The 1990 budget proposes a \$2.4 million decrease in the Agency's research and technical assistance programs. Specifically, the agency would discontinue low-priority research agreements with colleges and universities; reduce technical assistance to new and existing cooperatives; and close three field offices. ACS will provide services nationwide from the headquarters office.

## ECONOMICS AND STATISTICS

### Program Level (Dollars in Millions)

Agency	1988 Actual	1989 Current Estimate	1990 Budget
Economic Research Service .....	\$48.3	\$49.5	\$51.9
National Agricultural Statistics Service .....	61.4	63.8	71.2
World Agricultural Outlook Board ....	1.7	1.8	2.0
Total, Economics and Statistics ...	<u>\$111.4</u>	<u>\$115.1</u>	<u>\$125.1</u>

#### ECONOMIC RESEARCH SERVICE (ERS)

The Economic Research Service provides agricultural economic information (research, forecasts and major economic indicators, policy analysis, and data) that addresses economic concerns and the decisionmaking needs of farmers, consumers, extension workers, private analysts, processors, marketers, input suppliers, and government policy officials. ERS is requesting an increase of \$2.4 million to collect and analyze data on pesticide and chemical use in agriculture. Such data will facilitate later inquiries into water quality issues such as the linkages between intensive chemical usage and deterioration in water quality.

#### NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS)

The National Agricultural Statistics Service collects and reports statistical data on crop and livestock production, inventories, prices and other agricultural economic indicators. It provides critical data for use by farmers, marketers, private and public sector analysts and officials.

Crop and livestock estimates are made by a central office in Washington, D.C., and by State statistical offices which are typically operated as joint State and Federal services. The agency also conducts and coordinates research on statistical techniques. An increase of \$7.4 million over the 1989 current estimate is requested. Proposed changes include \$1.4 million to improve crop yield estimates and \$6.0 million for a special one-time



*initiative to upgrade and standardize information processing systems in the 45 State statistical offices and the headquarters. At present, several States use data systems which are either obsolete or incompatible with the systems used by the majority of the offices. Efficiency of the data collection services will be improved when these systems are upgraded.*

### WORLD AGRICULTURAL OUTLOOK BOARD (WAOB)

*The World Agricultural Outlook Board serves as the single focal point for the Nation's economic intelligence related to domestic and international food and agriculture, and is responsible for coordination and clearance of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department of Agriculture. The WAOB funding request for 1990 is \$2.0 million for an increase of \$225 thousand. Changes include increases of \$85 thousand for improved coordination and analysis of long range supply demand projections and \$135 thousand for expanded meteorological data to improve U.S. agricultural weather monitoring and crop forecasting.*

## DEPARTMENTAL ACTIVITIES

### DEPARTMENTAL ACTIVITIES (DA)

Program Level  
(Dollars in Millions)

Program	1988 Actual	1989 Current Estimate	1990 Budget
<i>Departmental Activities:</i>			
Office of the Secretary .....	\$5.7	\$6.0	\$6.1
Departmental Administration			
Staff Offices.....	20.7	21.5	22.5
Office of Budget and Program			
Analysis .....	4.3	4.4	4.6
Office of Governmental and			
Public Affairs .....	8.7	8.9	9.1
Office of the Inspector General ...	48.8	50.5	52.5
Office of the General Counsel .....	18.7	20.8	22.3
 Total, Departmental Activities ..	 106.9	 112.1	 117.1
<i>Centralized Activities:</i>			
Advisory Committees .....	1.3	1.5	1.5
Building Operations and			
Maintenance .....	20.1	21.3	23.6
Rental Payments .....	48.9	49.5	50.7
Hazardous Waste Management .....	2.0	5.0	25.7
Working Capital Fund			
Capitalization .....	5.7	4.7	3.8
 Total, Centralized Activities ...	 78.0	 82.0	 105.3
 Total, Departmental Activities and Central Activities .....	 \$184.9	 \$194.1	 \$222.4

The staff offices serving the Department are responsible for the following: overall planning, coordination and administration of the Department's policies and programs; coordination and liaison between the agencies of the Department and the Office of Management and Budget, the Congress, the media and the public; central services to the agencies of the Department and all legal, audit and investigative work in connection with administration of the Department's programs.

## DEPARTMENTAL ACTIVITIES

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The 1990 budget proposes funding increases for a number of offices under Departmental Activities. ADP equipment will be upgraded in a number of offices to meet increased workload needs. A demonstration project approved by the Office of Personnel Management will be conducted to evaluate an alternative approach to recruitment, selection, and employee retention, with potential application governmentwide. The Office of Advocacy and Enterprise will work with the Farmers Home Administration to expand efforts to provide technical assistance to small and limited resource farmers. The Office of the Administrative Law Judges will be expanded to accommodate increased workload resulting from the requirement in the Hunger Prevention Act of 1988 to have Administrative Law Judges settle food stamp claims against State agencies.

Some Departmental Staff Offices also manage several separately appropriated centralized activities. The 1990 request includes a \$2.3 million increase for the Building Operations and Maintenance activity. Under this activity, USDA is responsible for operating and managing the Department's buildings in the D.C. complex plus two warehouses. The requested increase will be used to cover yearly pricing adjustments for the service contracts and to convert unused space to office space.

The 1990 budget also includes a \$20.7 million increase for the centralized Hazardous Waste Management activity. Funds will be provided for clean-up of hazardous waste as required by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund) and the Resource Conservation and Recovery Act (RCRA). The proposed level will support site identification, preliminary site investigation, design of appropriate clean-up strategies and clean-up of individual sites as required by CERCLA. For compliance with RCRA, funds will provide for underground storage tank removal, leak testing, or tank repair, as necessary.



## WATER QUALITY

### WATER QUALITY PROGRAMS

Program Level  
(Dollars in Millions)

Agency	1988 Actual	1989 Current Estimate	1990 Budget
Agricultural Research Service .....	\$24.4	\$30.0	\$40.0
Cooperative State Research Service .....	16.5	19.7	23.6
Economic Research Service .....	.8	.8	3.3
Soil Conservation Service .....	11.4	13.7	26.7
Extension Service .....	25.3	26.3	31.3
National Agricultural Library .....	- -	- -	0.3
Agricultural Stabilization and Conservation Service .....	10.3	14.3	20.8
Forest Service .....	21.7	21.7	21.7
Animal and Plant Health Inspection Service .....	13.3	13.4	13.4
Total .....	<u>\$123.7</u>	<u>\$139.9</u>	<u>\$181.1</u>

The Water Quality Act of 1987 requires States to prepare water quality assessments and to develop management plans to address nonpoint source water pollution. These Section 319 water quality assessments and management plans will be reviewed and approved by the Environmental Protection Agency (EPA). Some States will be identifying agriculture as a potential source, along with other human activities. Given the broad scope of nonpoint source issues, Federal agencies with major water programs--USDA, Commerce, EPA and Interior--have developed a coordinated governmentwide initiative to address the State-identified major National surface and groundwater quality concerns. The initiative includes funding in all of these primary agencies for research, data gathering, technical assistance and information dissemination activities consistent with the ongoing missions and programs of the agencies. USDA will have a significant role in the initiative in developing improved farming practices to maintain water quality and assisting farmers in the adoption of these techniques.

## WATER QUALITY

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Budgets for nine USDA agencies include funds for important components of the governmentwide initiative, for a total USDA increase of \$41.2 million above estimated 1989 levels. The 1990 USDA program focuses attention on research and data base development programs to provide the framework for enhanced technical assistance and education efforts to assist farm producers. Funds are also provided to accelerate technical assistance and education programs to assure immediate transfer of existing knowledge to farmers. Coordination among the USDA agencies has been achieved through a year-long budget and program planning process which has also included input from State research and technical assistance cooperators as appropriate. Programs proposed in the budget will be carried out directly by USDA agencies and through State partners in the research, technical assistance and education communities. Highlights of the USDA programs and the budget proposals are summarized below.

Priority Research Programs. A \$13.9 million increase is provided for a coordinated research program to be conducted at Federal labs by the Agricultural Research Service and at universities through the Cooperative State Research Service. The expanded program will build on the base of ongoing research in nitrogen and pesticide degradation in soils, sediment research, development of predictive models and work on biological controls and integrated pest management. Research will be conducted through a systems approach, which will assure consideration of economic, environmental and social consequences of the improved production practices. Specific major research objectives are to:

- o Determine the extent and seriousness of potential agricultural contributions to nonpoint source contamination.
- o Develop improved farm and ranch production systems to maintain and improve water quality, without sacrificing profitability.
- o Improve the understanding of fate and transport of agricultural chemicals in soils and water.
- o Develop less costly groundwater sampling techniques.

Much of the 1990 increase will fund research on management systems for farmers in the Midwest Corn Belt. This project recognizes the concentration of corn and soybean production, wide use of nitrogen and pesticides in connection with conservation tillage and the potential susceptibility of soils in the region to contamination by chemicals. Work in this and other major agricultural production areas will build on the base of information already available and will be structured through a systems approach to facilitate transfer of the information rapidly to producers.



## WATER QUALITY

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Improved Data Bases. Information on pesticide use will be required to support efforts within USDA and other agencies to assess the magnitude of agriculture-related water quality problems and develop effective strategies for agricultural chemical management. The Economic Research Service, working with other agencies, will initiate projects to:

- o Estimate pesticide use by State, to analyze the effects of new management practices, to assess the impacts of pesticides on productivity and profitability and to evaluate the consequences of pesticide regulations.
- o Develop computerized maps for analysis of land use in relation to soil characteristics and water quality.
- o Coordinate projects with the EPA and the U.S. Geological Survey to cross-reference these data bases.

Education and Technical Assistance Efforts. Long-term success of the USDA water quality efforts will be measured by adoption of agricultural practices that maintain and improve water quality. The strategy to achieve this success includes funding to demonstrate new research results to producers at eight selected sites, resources to provide immediate technical and financial assistance based on available technology in priority hydrologic units identified through State water quality plans and other efforts to assure rapid technology transfer. Specific efforts include resources to:

- o Demonstrate state of the art technologies and farm practices in eight selected sites where agrichemicals have been detected in soils and water at levels which impair usage.
- o Enable the SCS National Technical Centers and State offices to prepare agricultural and conservation practice standards, interpret soils information regarding the fate and transport of chemicals and implement computerized mapping technology for the planning and application of water quality management practices. Extension will also participate with SCS in updating Field Office Technical Guides for the affected conservation districts to incorporate information on safe pesticide use and disposal, nutrient management, waste disposal, salinity reduction and sediment control.
- o Enhance the existing Pesticide Applicator Training materials to incorporate water quality considerations.



## **WATER QUALITY**

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- o Provide technical and financial assistance using existing proven techniques to selected high priority hydrologic units. These areas will be selected from those identified in State plans developed under the Water Quality Act of 1987 where agricultural chemicals have been identified as non-point source contaminants. Emphasis will be on transfer of management strategies to prevent groundwater contamination.*
- o Expand ongoing technical assistance efforts in major regional projects to protect the Chesapeake Bay, Great Lakes, Tennessee Valley, Puget Sound, Gulf States and the Colorado River.*
- o Continue important ongoing education efforts in pesticide and nutrient management, biocontrol and integrated pest management.*

*Ongoing Efforts. The initiative includes resources to strengthen USDA efforts to assess the impact of pesticides for regulatory decisions; maintain strong research programs on efficient and effective use of pesticides, sediment control and nutrient applications; develop and transfer to producers integrated pest management applications and biocontrol systems and continue other related water quality efforts.*

*APHIS will continue to emphasize the application of biocontrol and integrated pest management technologies when technically and economically feasible.*

*Forest Service incorporates improved land management practices where possible to minimize water quality degradation and assures compliance with environmental statutes. Chemical and sediment runoff mitigation projects are also conducted in connection with timber harvest activities.*

# 1890 INSTITUTIONS

## INITIATIVE TO SUPPORT 1890 LAND-GRANT INSTITUTIONS AND TUSKEGEE UNIVERSITY

Budget Authority  
(Dollars in Millions)

Agency and Program	1988	1989	1990
	Actual	Current Estimate	Budget
Cooperative State Research Service:			
Evans-Allen Formula .....	\$23.3	\$24.3	\$25.3
Capacity Building Grants .....	- -	- -	11.0
Strengthening Grants .....	1.9	1.9	- -
Other Programs, Grants to Historically Black Institutions .....	2.5	2.5	1.3
Subtotal .....	27.7	28.7	37.6 <u>a/</u>
Extension Service:			
Formula Payments for Extension Services .....	18.3	18.3	24.0
Grants for Extension Facilities .....	9.5	9.5	9.5
Other Program, Grants to Other Historically Black Institutions .....	1.7	1.7	1.6
Subtotal .....	29.5	29.5	35.1
Other Agencies:			
Cooperative Research, Support of Agency Programs, Student Assistance and Recruiting .	4.7	6.9	7.5
Total .....	\$61.9	\$65.1	\$80.2

*a/ Excludes funds within other proposed higher education programs which will also support minority expertise development.*

The 1890 institutions are the historically black land-grant universities. The budget proposes new and expanded programs to strengthen the capacity of these schools to recruit and graduate high quality students in the agricultural and natural resources sciences and to carry out research and extension on National priority issues. Included is a new program of grants to encourage these institutions to modernize programs in agriculture in cooperation with State, private and Federal partners. The initiative is an outgrowth of a Task Force established in June, 1988 to focus attention on policies which would enhance the ability of the 1890's to contribute more fully to the needs of USDA and the agricultural sector.

## 1890 INSTITUTIONS

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### COOPERATIVE STATE RESEARCH SERVICE

- o Evans-Allen formula. The program supports research programs developed at the state level in cooperation with 1862 institutions. Current programs emphasize work on human nutrition, rural development and small-scale farming. Additional funding of \$1.0 million would finance work on alternative cropping and animal production systems.
- o Capacity building grants in food, agriculture and forestry. A new program, designed specifically to build institutional capacity through cooperative programs with Federal and non-Federal entities, is proposed at a funding level of \$11.0 million. The proposed program emphasizes competition and dollar-for-dollar matching on the part of States, private organizations and others to encourage expanded linkages with 1890 institutions as performers of research and providers of talent for the agricultural sector.
- o Strengthening grants. This program has provided base funds to support faculty development, curriculum development, student internship, etc. It is being discontinued in favor of the capacity building grants programs.
- o Other Programs. Includes proposed programs of competitive grants to land-grant institutions and other institutions with a demonstrated capacity in the agricultural sciences with dollar-for-dollar matching requirements to address targeted problems such as minority and female participation in agricultural sciences. Also included are grants to historically black institutions which are not part of the land-grant system.

### EXTENSION SERVICE

- o Formula payments for extension services. Programs at the 1890 institutions and Tuskegee University are coordinated with 1862 institutions and focus on financial and marketing assistance to limited resource farmers, and financial, nutrition and child care advice to low-income families. Increased funding of \$5.7 million will enable the 1890's to strengthen programs identified as national priorities including competitive and sustainable agriculture, nutrition, family support, rural revitalization, and youth at risk.



## 1890 INSTITUTIONS

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- o Facility grants. This is a program of grants for extension facilities and equipment. It is a five-year program, begun in 1988, to complement a research facilities grant program that was carried out from 1983 to 1987. The capital improvements financed with these funds will allow the 1890's to expand programs, provide additional services and make use of new equipment and technology.*
- o Other Programs. Includes grants for extension work to historically black universities which are not part of the land-grant system.*

### OTHER AGENCIES

- o Most other USDA agencies support the initiative under various programs of student assistance, recruiting and cooperative agreements for research or other joint projects.*

## GLOBAL CLIMATE CHANGE

### USDA PROGRAMS ON GLOBAL CLIMATE CHANGE

Program Level  
(Dollars in Millions)

Agency and Program	1989	1990
	Current Estimate	Budget
Agricultural Research Service .....	\$0.7	\$0.7
Cooperative State Research Service .....	3.7	7.4
Forest Service .....	13.8	14.6
Total .....	<u>\$18.2</u>	<u>\$22.7</u>

USDA research on the implications of global climate change is conducted at Federal labs by the Agricultural Research Service and the Forest Service and at universities through the Cooperative State Research Service. ARS and CSRS programs which directly address global change focus on the effects of increased ultraviolet light, resulting from decreased stratospheric ozone levels, on crop plants. The budget proposes a doubling of the CSRS program of competitive grants in this area for 1990. Forest Service research projects emphasize forest ecosystem health and productivity in response to changes in precipitation, temperature, air pollution and other environmental factors. In addition to research directly focused on the implications for agriculture of global change, ARS and CSRS conduct other closely related research. Significant related programs address the effects of weather and air quality on crop productivity, improved drought tolerance of crops, and development of predictive models to control erosion and restore productivity. Data collection and analysis programs of the Soil Conservation Service also support the USDA efforts related to global change. USDA work in global change is coordinated with that of other Federal agencies through the Committee on Earth Sciences. Other agencies with significant programs in global change include the departments of Commerce, Energy and Interior; EPA, NASA and NSF.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Budget Authority  
(Dollars in Thousands)

Agency	1988 Actual	1989 Current Estimate	1990 Budget
<b>SCIENCE AND EDUCATION</b>			
Agricultural Research Service .....	\$559,493	\$584,402	\$604,618
Cooperative State Research Service .....	352,019	340,917	295,398
Extension Service .....	357,963	361,370	324,840
National Agricultural Library .....	12,194	13,268	14,947
<b>INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS</b>			
Agricultural Stabilization and Conservation Service .....	1,289,179	2,011,722	1,228,791
Foreign Agricultural Service .....	92,217	95,417	98,620
Commodity Credit Corporation .....	11,081,280	15,103,925	12,548,818
Office of International Cooperation and Development .....	10,008	10,254	8,918
P.L. 480 .....	1,059,596	1,098,100	723,279
<b>NATURAL RESOURCES AND ENVIRONMENT</b>			
Soil Conservation Service .....	686,871	704,597	631,950
Forest Service .....	2,475,102	3,184,462	2,511,389
<b>SMALL COMMUNITY AND RURAL DEVELOPMENT</b>			
Farmers Home Administration .....	15,231,451	13,786,438	10,799,582
Federal Crop Insurance Corporation .....	428,523	313,992	388,565
Rural Electrification Administration .....	1,294,834	1,605,833	129,460
<b>FOOD AND CONSUMER SERVICES</b>			
Food and Nutrition Service .....	20,169,558	20,437,080	20,290,640
Section 32 .....	366,742	405,873	522,746
Temporary Emergency Food Assistance Prog...	50,000	170,000	120,000
Human Nutrition Information Service .....	8,623	8,823	9,468
<b>MARKETING AND INSPECTION SERVICES</b>			
Federal Grain Inspection Service .....	7,020	8,115	8,255
Animal and Plant Health Inspection Service	336,615	338,753	284,872
Food Safety Inspection Service .....	393,052	406,004	423,949
Agricultural Cooperative Service .....	4,611	4,655	2,303
Agricultural Marketing Service .....	121,500	125,794	119,475
Office of Transportation .....	2,397	2,397	1,395
Packers and Stockyards Administration .....	9,402	9,562	9,562
<b>ECONOMICS</b>			
Economic Research Service .....	48,277	49,536	51,914
National Agricultural Statistics Service ..	61,341	63,788	71,238
World Agricultural Outlook Board .....	1,730	1,820	2,045
<b>ADMINISTRATION</b>			
Office of the Secretary .....	5,710	5,953	6,115
Departmental Administration .....	20,664	21,533	22,500
Office of Budget and Program Analysis .....	4,252	4,389	4,554
Hazardous Waste Management .....	2,000	5,000	25,688
Working Capital Fund .....	5,708	4,708	3,750
Rental Payments and Building Operations ...	68,969	70,764	74,268
Advisory Committees .....	1,308	1,494	1,494
Office of Governmental and Public Affairs .	8,673	8,859	9,068
Office of the Inspector General .....	48,795	50,510	52,530
Office of the General Counsel .....	18,734	20,836	22,340
Gifts and Bequests .....	1,585	2,328	50
Offsetting Receipts .....	-1,462,378	-1,798,977	-1,606,761
<b>TOTAL, U.S. DEPARTMENT OF AGRICULTURE ...</b>	<b>\$55,235,618</b>	<b>\$59,644,294</b>	<b>\$50,842,633</b>



UNITED STATES DEPARTMENT OF AGRICULTURE  
Outlays  
(Dollars in Thousands)

Agency	1988 Actual	1989 Current Estimate	1990 Budget
<b>SCIENCE AND EDUCATION</b>			
Agricultural Research Service .....	\$540,391	\$585,586	\$604,109
Cooperative State Research Service .....	301,775	342,485	376,592
Extension Service .....	317,529	352,982	326,955
National Agricultural Library .....	12,359	13,519	14,719
<b>INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS</b>			
Agricultural Stabilization and Conservation Service .....	516,747	1,861,903	1,916,014
Foreign Agricultural Service .....	84,354	93,466	98,509
Commodity Credit Corporation .....	12,174,834	13,894,812	11,518,255
Office of International Cooperation and Development .....	23,336	10,254	9,318
P.L. 480 .....	1,059,596	1,098,100	723,279
<b>NATURAL RESOURCES AND ENVIRONMENT</b>			
Soil Conservation Service .....	701,465	728,995	698,919
Forest Service .....	2,687,979	2,919,681	2,545,500
<b>SMALL COMMUNITY AND RURAL DEVELOPMENT</b>			
Farmers Home Administration .....	7,276,960	7,979,028	2,920,020
Office of Rural Development Policy .....	0	2	0
Federal Crop Insurance Corporation .....	410,538	1,244,811	585,518
Rural Electrification Administration .....	-1,825,372	193,944	-98,024
<b>FOOD AND CONSUMER SERVICES</b>			
Food and Nutrition Service .....	19,581,023	20,757,270	20,082,569
Section 32 .....	382,040	382,240	356,562
Temporary Emergency Food Assistance Prog ..	49,172	178,208	131,850
Human Nutrition Information Service .....	10,621	8,910	9,200
<b>MARKETING AND INSPECTION SERVICES</b>			
Federal Grain Inspection Service .....	2,293	8,115	8,255
Animal and Plant Health Inspection Service	340,002	340,607	295,925
Food Safety Inspection Service .....	390,886	406,004	423,949
Agricultural Cooperative Service .....	4,517	4,655	2,968
Agricultural Marketing Service .....	130,742	113,395	127,497
Office of Transportation .....	2,489	2,397	1,581
Packers and Stockyards Administration .....	9,240	9,562	9,633
<b>ECONOMICS</b>			
Economic Research Service .....	47,216	49,230	50,902
National Agricultural Statistics Service ..	58,076	63,289	70,226
World Agricultural Outlook Board .....	1,747	1,799	2,027
<b>ADMINISTRATION</b>			
Office of the Secretary .....	4,434	5,953	6,094
Departmental Administration .....	18,758	25,570	22,309
Office of Budget and Program Analysis .....	4,252	4,389	4,554
Hazardous Waste Management .....	708	6,087	25,471
Working Capital Fund .....	1,455	10,416	3,750
Rental Payments and Building Operations ...	66,449	70,764	74,271
Advisory Committees .....	951	1,494	1,494
Office of Governmental and Public Affairs .	8,520	8,859	9,077
Office of the Inspector General .....	48,609	50,510	52,148
Office of the General Counsel .....	18,543	20,836	22,340
Gifts and Bequests .....	41	4,004	50
Offsetting Receipts .....	-1,462,378	-1,798,977	-1,606,761
<b>TOTAL, U.S. DEPARTMENT OF AGRICULTURE ...</b>	<b>\$44,002,897</b>	<b>\$52,055,154</b>	<b>\$42,427,624</b>

UNITED STATES DEPARTMENT OF AGRICULTURE  
Staff Years  
Fiscal Years 1988, 1989, and 1990

Agency	1988 Actual	1989 Current Estimate	1990 Budget
<b>SCIENCE AND EDUCATION</b>			
Agricultural Research Service .....	8,150	8,147	8,147
Cooperative State Research Service .....	165	150	160
Extension Service .....	173	173	173
National Agricultural Library .....	190	190	191
<b>INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS</b>			
Agricultural Stabilization and Conservation Service .....	3,288	3,144	3,101
Foreign Agricultural Service .....	832	832	832
Office of International Cooperation and Development .....	199	191	192
<b>NATURAL RESOURCES AND ENVIRONMENT</b>			
Forest Service .....	38,830	37,580	36,688
Soil Conservation Service .....	13,747	14,177	13,143
<b>SMALL COMMUNITY AND RURAL DEVELOPMENT</b>			
Farmers Home Administration .....	12,235	12,675	12,675
Rural Electrification Administration .....	520	550	531
Federal Crop Insurance Corporation .....	841	865	865
<b>FOOD AND CONSUMER SERVICES</b>			
Human Nutrition Information Service .....	89	90	90
Food and Nutrition Service .....	1,885	2,000	2,100
<b>MARKETING AND INSPECTION SERVICES</b>			
Federal Grain Inspection Service .....	788	800	800
Animal and Plant Health Inspection Service .....	5,480	5,480	5,389
Food Safety and Inspection Service .....	9,426	9,400	9,425
Agricultural Cooperative Service .....	61	63	45
Agricultural Marketing Service .....	4,090	4,027	3,900
Office of Transportation .....	38	35	20
Packers and Stockyards Administration ....	194	187	187
<b>ECONOMICS</b>			
Economic Research Service .....	791	860	850
National Agricultural Statistics Service .	1,054	1,049	1,034
World Agricultural Outlook Board .....	27	30	32
<b>ADMINISTRATION</b>			
Office of the Secretary .....	77	84	85
Departmental Administration .....	1,989	2,121	2,151
Office of Budget and Program Analysis ....	70	78	78
Office of Governmental and Public Affairs .....	149	158	161
Office of the Inspector General .....	835	850	860
Office of the General Counsel .....	342	385	385
<b>TOTAL, U.S. DEPARTMENT OF AGRICULTURE ....</b>	<b>106,552</b>	<b>106,371</b>	<b>104,290</b>

UNITED STATES DEPARTMENT OF AGRICULTURE  
Asset Sales - Loan Prepayments  
Face Values  
(Dollars in Millions)

Asset Sales

	1988 Actual	1989 Est.	1990 Budget	1991 Est.	1992 Est.	1993 Est.	1994 Est.
<u>FARMERS HOME ADMINISTRATION:</u>							
Rural Development Insurance Fund:							
Public Asset Sale .....	\$0	\$400	\$120	\$100	\$100	\$0	\$0
Borrower Repurchase ...	1,630	512	0	0	0	0	0
Rural Housing Insurance Fund .....	0	0	4,500	433	399	385	370
Agricultural Credit Insurance Fund .....	0	0	0	0	0	0	0
TOTAL, FmHA Asset Sales ....	\$1,630	\$912	\$4,620	\$533	\$499	\$385	\$370
Net Proceeds .....	\$1,053	\$584	\$1,766	\$458	\$458	\$394	\$395

Loan Prepayments

	1988 Actual	1989 Est.	1990 Budget	1991 Est.	1992 Est.	1993 Est.	1994 Est.
<u>RURAL ELECTRIFICATION ADMINISTRATION:</u>							
Rural Electrification and Telephone Revolving Fund .....	\$2,000	\$500	\$500	\$250	\$250	\$0	\$0
Rural Telephone Bank .....	131	0	75	0	0	0	0
TOTAL, REA Loan Prepayments .....	\$2,131	\$500	\$575	\$250	\$250	\$0	\$0
Net Proceeds .....	\$2,131	\$500	\$575	\$250	\$250	\$0	\$0



## NOTES

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